SPO Medical Inc
Form 10-Q
November 14, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

MARK ONE

S Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period ended September 30, 2012 or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ________ to ________

COMMISSION FILE NUMBER: 0-11772

SPO MEDICAL INC.

(Exact name of registrant specified in its charter)

Delaware	25-1411971
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3 Gavish Street, POB 2454, Kfar Saba, Israel

(Address of principal executive offices, including zip code)

972-9-966-2520

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a Smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) smaller reporting company S

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

As of November 14, 2012, SPO Medical Inc. had outstanding 50,673,348 shares of common stock, par value $0.01 per share.

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FORWARD LOOKING STATEMENTS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED ELSEWHERE IN THIS FORM 10-Q. CERTAIN STATEMENTS MADE IN THIS DISCUSSION ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECTS," "INTENDS," "ANTICIPATES," "BELIEVES," "ESTIMATES," "PREDICTS," OR "CONTINUE" OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING: THE COMPANY'S INTENDED BUSINESS PLANS; EXPECTATIONS AS TO PRODUCT PERFORMANCE; EXPECTATIONS AS TO MARKET ACCEPTANCE OF THE COMPANY'S TECHNOLOGY; AND BELIEF AS TO THE SUFFICIENCY OF CASH RESERVES. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, SUFFICIENCY OF CASH RESERVES, THE COMPANY'S INABILITY TO OBTAIN ADDITIONAL NEEDED FINANCING; GOING CONCERN QUALIFICATIONS; THE COMPETITIVE ENVIRONMENT GENERALLY AND IN THE COMPANY'S SPECIFIC MARKET AREAS; CHANGES IN TECHNOLOGY; THE AVAILABILITY OF AND THE TERMS OF FINANCING; INFLATION; CHANGES IN COSTS AND AVAILABILITY OF GOODS AND SERVICES; ECONOMIC CONDITIONS IN GENERAL AND IN THE COMPANY'S SPECIFIC MARKET AREAS; DEMOGRAPHIC CHANGES; CHANGES IN FEDERAL, STATE AND /OR LOCAL GOVERNMENT LAW AND REGULATIONS AFFECTING THE TECHNOLOGY; CHANGES IN OPERATING STRATEGY OR DEVELOPMENT PLANS; AND THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

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SPO MEDICAL INC. AND ITS SUBSIDIARY

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	September 30, 2012 Unaudited	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$77	$ 37
Prepaid expenses and other accounts receivable	11	4
	88	41
LONG TERM INVESTMENTS		
Severance pay fund	122	122
	122	122
Total net assets	$210	$ 163
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Overdraft	$—	$ 5
Short-term loans	1,099	1,170
Trade payables	12	6
Employees and Payroll accruals	489	529
Accrued expenses and other liabilities	594	631
	2,194	2,341
Long-Term Liabilities		
Warrants to issue shares	6	17
Long-Term Loans	357	71
Accrued severance pay	218	213
	581	301
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' DEFICIENCY		
Stock capital		
Preferred stock of $0.01 par value		

Authorized - 2,000,000 shares, issued and outstanding - none		
Common stock $0.01 par value-		
Authorized - 100,000,000 and 50,000,000 shares, issued and outstanding - 46,094,400 and 36,173,249 shares as at September 30, 2012 and December 31, 2011, respectively	461	359
Additional paid-in capital	17,738	17,274
Accumulated deficit	(20,764)	(20,112)
	(2,565)	(2,479)
Total liabilities and stockholders' deficiency	$210	$163

The accompanying notes to these financial statements are an integral part thereof.

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SPO MEDICAL INC.AND ITS SUBSIDIARY

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. dollars in thousands except share data)

	Three months ended September 30,		Nine months ended September 30,	
	2012 Unaudited	2011	2012 Unaudited	2011
Revenues	$278	$—	$278	$—
Cost of revenues	231	—	231	—
Gross profit	47	—	47	—
Operating expenses				
Research and development, net	$5	$20	$5	$74
Selling and marketing	125	198	382	965
General and administrative	83	153	220	501
Impairment of property and equipment, net	—	—	—	96
Total operating expenses	213	371	607	1,636
Operating loss	(166)	(371)	(560)	(1,636)
Financial income (expense), net	(5)	177	(90)	(32)
Net Loss for the period	$(171)	$(194)	$(650)	$(1,668)
Basic and diluted loss per share	$(0.00)	$(0.01)*	$(0.02)	$(0.05)
Weighted average number of shares outstanding used in computation of basic loss per share	4,46,49,733	3,36,58,064*	4,20,15,711	3,33,22,842

* Restated to the correct amounts

The accompanying notes to these financial statements are an integral part thereof.

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SPO MEDICAL INC.

AND ITS SUBSIDIARY

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30, 2012 Unaudited			2011		
Cash Flows from Operating Activities						
Net Loss for the period	$	(650	)	$	(1,668	)
Adjustments to reconcile loss to net cash used in operating activities:						
Depreciation		—			14	
Non-cash expenses related to convertible debt		57			34	
Stock-based compensation expenses related to employees, service providers		378			948	
Grant of common stock to service providers		—			92	
Non-cash expense related to warrants to issue shares		(1	)		(49	)
Impairment of property and equipment, net		—			96	
Changes in assets and liabilities:						
Increase in accrued interest payable on loans		24			50	
(Increase) decrease in prepaid expenses		(7	)		6	

and other receivables				
Increase (decrease) in accounts payable		6		(34)
Increase (decrease) in accrued severance pay, net		5		(5)
Increase (decrease) in accrued expenses and other liabilities		(62)		301
Net cash used in operating activities		(250)		(215)
Cash Flows from Financing Activities				
Capital raise, net		—		27
Payments of loans		(26)		(17)
Proceeds from loan		316		205
Net cash provided by financing activities		290		215
Decrease in cash and cash equivalents		40		—
Cash and cash equivalents at the beginning of the period		37		—
Cash and cash equivalents at the end of the period	$	77	$	—
Non cash transactions				
Conversion of convertible debt to shares	$	68	$	—
Exercise of warrants in consideration of forgiveness of debt	$	22	$	—
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Interest	$	21	$	—

The accompanying notes to these financial statements are an integral part thereof.

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SPO MEDICAL INC AND ITS SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in thousands (except share data))

NOTE 1 - General

SPO Medical Inc. (hereinafter referred to as "SPO" or the "Company") is engaged in the design, development and marketing of non-invasive pulse oximetry technologies to measure blood oxygen saturation and heart rate. The applications are marketed, in the following sectors; professional medical care, homecare, sports, safety and search & rescue.

The Company was originally incorporated under the laws of the State of Delaware in September 1981 under the name "Applied DNA Systems, Inc." On November 16, 1994, the Company changed its name to "Nu-Tech Bio-Med, Inc." On December 23, 1998, the Company changed its name to "United Diagnostic, Inc." Effective April 21, 2005, the Company acquired (the "Acquisition Transaction") 100% of the outstanding capital stock of SPO Medical Equipment Ltd., a company incorporated under the laws of the State of Israel ("SPO Ltd."), pursuant to a Capital Stock Exchange Agreement dated as of February 28, 2005 between the Company, SPO Ltd. and the shareholders of SPO Ltd., as amended and restated on April 21, 2005 (the "Exchange Agreement"). In exchange for the outstanding capital stock of SPO Ltd., the Company issued to the former shareholders of SPO Ltd. a total of 5,769,106 shares of the Company's common stock, par value $0.01 per share ("Common Stock"), representing approximately 90% of the Common Stock then issued and outstanding after giving effect to the Acquisition Transaction. As a result of the Acquisition Transaction, SPO Ltd. became a wholly owned subsidiary of the Company as of April 21, 2005 and, subsequent to the Acquisition Transaction, the Company changed its name to "SPO Medical Inc." Upon consummation of the Acquisition Transaction, the Company effectuated a forward subdivision of the Company's Common Stock issued and outstanding on a 2.65285:1 basis.

The merger between UNDI and the SPO Ltd was accounted for as a reverse merger. As the shareholders of SPO Ltd received the largest ownership interest in the Company, SPO Ltd was determined to be the "accounting acquirer" in the reverse acquisition. As a result, the historical financial statements of the Company were replaced with the historical financial statements of the SPO Ltd.

The Company and its subsidiary, SPO Ltd., are collectively referred to as the "Company". In January 2010, the Company restructured its operations to focus primarily on licensing its core technology for non-medical market applications. The restructuring included entering into a licensing agreement (the “License”) for the then existing medical

PulseOx product line with an entity owned by the Company's then Chief Technology Officer (hereinafter the "Licensee"). Under the terms of the License, the Licensee was granted a non-transferable, royalty bearing license, to distribute the PulseOx product line and derivatives thereof, for specifically defined medical uses. Following the License, the Company ceased its previous operations associated with the distribution of the PulseOx line in the medical field. In February 2011 the Company transferred research and development activity to subcontractors, thereby ceasing all internal research and development activities.

NOTE 2 - Basis of Presentation

The accompanying un-audited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with Rule 8.03 of Regulation S-X. These financial statements reflect all adjustments, consisting of normal recurring adjustments and accruals, which are, in the opinion of management, necessary for a fair presentation of the financial position of the Company as of September 30, 2012 and the results of operations and cash flows for the interim periods indicated in conformity with generally accepted accounting principles applicable to interim periods. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Operating results for the three and nine months ended September 30, 2012, are not necessarily indicative of the results that may be expected for the year ended December 31, 2012.

Certain prior years' amounts have been reclassified in conformity with current year's financial statements.

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NOTE 3 - Going Concern

As reflected in the accompanying financial statements, the Company's operations for the nine months ended September 30, 2012, resulted in a net loss of $650 and the Company's balance sheet reflects a net stockholders' deficit of $2,564. The Company's ability to continue operating as a "going concern" is dependent on its ability to generate additional revenues or raise additional working capital. As disclosed in previous filings with the Securities and Exchange Commission, management has been attempting to raise additional cash from current and potential stockholders and plans to continue these efforts.

NOTE 4 - Long term loans

In August and November, 2011, the Company received $75 and $200 from existing investors on account for loans. In January 2012, the Company and the investors (collectively, the "Investors") finalized the terms of the loan and entered into definitive agreements in connection therewith. The loans, in the principal amount of $275, are evidenced by promissory notes (the "Notes"), of which $75 is scheduled to mature in August 2013 and $200 is scheduled to mature in November 2013. The loans bear interest at the rate of 10% per annum. Interest is payable at the end of each of January, April, July and October. The Notes are convertible into shares of the Company's Common Stock at the holder's option at any time at a conversion price of $0.15 per share. Under the terms of the Note, the occurrence of any of the following constitute events of default (each an "Event of Default"): (i) the Company's failure to pay the principal on the maturity date, (ii) any material representation or warranty that the Company makes in the Note, statement or certificate furnished in connection therewith shall be false or misleading in any material respect, (iii) the Company's breach of any material covenant or other term or condition of the Note in any material respect and such breach continues for 5 business days after notice thereof from the holder, (iv) the assignment by the Company for the benefit of creditors or application for or consent to the appointment of a receiver or trustee, or such receiver or trustee shall otherwise be appointed, (v) the entry of a monetary judgment or similar process in excess of $100, if such judgment remains unvacated for 30 days and (vi) the Company's insolvency or liquidation or a bankruptcy event. The Company issued to the Investors warrants exercisable through (i) August 11, 2015 to purchase 250,000 shares of the Company's Common Stock; (ii) November 2, 2015 to purchase 333,335 shares of Common Stock and (iii) November 2, 2015 to purchase 333,335 shares of Common Stock, in each case at per share exercise price of $0.15.

On January 31, 2012, the Company entered into a Securities Purchase Agreement with an investor pursuant to which it issued its 8% convertible promissory note in the principal amount of $50. The loan, together with accrued interest, is scheduled to mature on February 7, 2013. Commencing August 7, 2012, the Investor is entitled to convert all or any part of the outstanding and unpaid principal amount on the note, as well as the interest accrued, into shares of the Company's Common Stock at a conversion rate equal to 55% of the average of the five lowest closing sale prices during the ten days preceding the conversion date.

On March 22, 2012, the Company entered into Convertible Note Agreements with two investors pursuant to which the Company received $25 from each investor. The original maturity date of the Notes is scheduled for September 22, 2012. The Notes bear interest at a per annum rate of 20%. The Notes and accrued interest are convertible to common stock of the Company at a conversion rate of $0.08 per share. The maturity date was extended to September 22, 2013.

On May 1, 2012, the Company entered into a Convertible Note Agreement with an investor pursuant to which the Company received $25. The maturity date of the Note is November 1, 2012. The Note bears interest at a per annum rate of 20%. The Note and accrued interest are convertible to common stock of the Company at a conversion rate of $0.08 per share. The maturity date was extended to March 22, 2013.

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On June 19, 2012, the Company entered into a Convertible Note Agreement with an investor pursuant to which the Company received $50. The maturity date of the Note is June 19, 2013. The Note bears interest at a per annum rate of 23%. The Note and accrued interest are convertible to common stock of the Company at a conversion rate of $0.08 per share.

On July 19, 2012, the Company entered into a Convertible Note Agreement with an investor pursuant to which the Company received $50. The original maturity date of the Note is July 19, 2013. The Note bears interest at a per annum rate of 23%. The Note and accrued interest are convertible to common stock of the Company at a conversion rate of $0.08 per share.

On July 25, 2012, the Company entered into a Convertible Note Agreement pursuant to which the Company received $32.5. The original maturity date of the note is July 25, 2013. The note bears interest at a per annum rate of 8%. Commencing January 25, 2013, the Investor is entitled to convert all or any part of the outstanding and unpaid principal amount on the note, as well as the interest accrued, into shares of the Company’s Common Stock at a conversion rate equal to 55% of the average of the five lowest closing sale prices during the ten days preceding the conversion date.

On August 23, 2012, the Company entered into a Convertible Note Agreement with an investor pursuant to which the Company received $50. The original maturity date of the Note is August 23, 2013. The Note bears interest at a per annum rate of 23%. The Note and accrued interest are convertible to common stock of the Company at a conversion rate of $0.04 per share.

On August 27, 2012, the Company entered into a Loan Agreement with an investor pursuant to which the Company is to be advanced $29 in monthly installments ranging from $4 to $1 from August 2012 through June 2013. The loan is due on demand and is non-interest bearing.

NOTE 5 - Stockholders Equity

Issuance of Securities

During the period ended September 30, 2012, warrants with an exercise price of $0.01 were exercised for 2,212,061 of the Company’s shares of Common Stock.

On March 20, 2012, the Company issued 250,000 shares to a former employee in consideration of the settlement of all amounts owed to the former employee.

During the period ended September 30, 2012, the Company issued 7,709,090 shares of its common stock upon conversion of $68 in principal and accrued interest of convertible promissory notes.

Warrants

On January 3, 2012 the Company issued 916,668 warrants in conjunction with convertible notes. The fair value of the warrants at the grant date was calculated using Black-Scholes and the following assumptions, estimated life of 3.36 to 3.59 years remaining, volatility of 321%, risk free interest rate of 0.33%, and dividend yield of 0%.

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NOTE 6 - Financial Expenses

Financial expenses for the nine months ended September 30, 2012 are comprised of the following:

	2012	2011
Non-cash financial expenses related to conversion features	$(57)	$(34)
Non-cash financial expenses related to warrants to issue shares	11	38
Interest in respect of debt instruments	(84)	(58)
Exchange rate differences caused by fluctuations in the exchange rate with the New Israeli Shekel ("NIS") on liabilities denominated in NIS held by the subsidiary	7	22
Forgiven interest	33	—
	$(90)	$(32)

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES RELATED TO THOSE STATEMENTS. SOME OF OUR DISCUSSION IS FORWARD-LOOKING AND INVOLVES RISKS AND UNCERTAINTIES. FOR INFORMATION REGARDING RISK FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, REFER TO THE RISK FACTORS SECTION OF THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011.

OVERVIEW

SPO Medical Inc. (“we” or the “Company” or “SPO”) is engaged in the design and development of non-invasive pulse oximetry technologies to measure blood oxygen saturation and heart rate. We have developed and patented proprietary technology that enables the measurement of heart rate and oxygen saturation levels in the blood, which is known as Reflectance Pulse Oximetry (RPO). RPO functions using an ASIC (application specific integrated circuit), which is equivalent to a “customized” semi-conductor. Using this technology, a sensor can be positioned on various body parts, minimizing problems from motion artifacts and poor perfusion. The unique design features contribute to substantially lower power requirements and enhance wireless, stand-alone configurations facilitating expanded commercial possibilities. We hold 12 patents issued by the United States Patent and Trademark Office ("USPTO") and European Patent Authorities covering various aspects of our technologies.

We are currently focused on exploiting the sports and wellness markets by developing cutting edge products based on our proprietary technology. These are multibillion dollar markets which we intend to penetrate with our disruptive technologies. Our current wellness products include an innovative wellness bracelet, a baby monitoring unit, a sports watch and an oximetry product for sports and recreational use.

The SPO sports watch has been designed to measure continuous hear-rate wirelessly, without the need to wear a conventional chest strap. This is a major and unique practical advantage over current products that we believe exist in the general leisure and wellness market. As importantly, the watch will be able to read the heart rate without the sports enthusiast ceasing his physical activity. This will be made possible through the use of SPO’s patented reflectance technology. Subject to raising significant additional funds, of which no assurance can be provided, we anticipate that the product could become commercially available during 2014.

In addition to the sports watch, we are in the final stages of developing an innovative wellness bracelet that measures the number of activities and calories burned by an individual performs on a given day. The bracelet, designed for both

children and adults, features a display function to continuously measure the number of daily activities against preset recommended goals. SPO has designed and patented the functionality of the bracelet to be an affordable, simple-to-use, fashion accessory to encourage users to increase their mobility and overall wellness and to wear it with pride. We anticipate that the product should become commercially available during 2013. In December 2011, we signed an exclusive agreement with a large private time-piece manufacture to manufacture and sell our wellness bracelet to department stores, mid-tier mass-market and food & drug stores throughout North America. The agreement specifies that the manufacturer will finance all costs associated with bringing the wellness bracelet to the marketplace. We and the manufacturer have agreed to divide the profit margin from the sale of the wellness bracelet net of all costs associated with manufacturing the wellness.

In addition, we are developing an innovative home-baby monitoring device for continuous measurement of wellness information to the parent or caregiver, while the baby is sleeping. This parental reassurance tool gives the company a technological competitive edge in providing an innovative, high performance solution for a market application that is applicable to most family homes. Subject to raising significant additional funds, of which no assurance can be provided, we believe that the product could become commercially available during 2014**.**

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Although we currently focus on the sports, baby monitoring and wellness markets, we have a legacy business that has been dedicated to the health care and medical products industry. In January 2010, our wholly owned subsidiary SPO Ltd. entered into an Alliance and License Agreement, dated as of December 1, 2009, with an entity owned and controlled by our former Chief Technical Officer (the "Licensee"). Under the terms of the license agreement, the PulseOx medical product line is being marketed by the Licensee in the medical field. We continue to market the oximeter product line for non-medical applications such as sports and the recreational retail markets.

Current Operational Highlights

We recorded revenues of $278,000 for the three months ended September 30, 2012, representing our first quarter revenues from operations since the fourth quarter of 2011. Revenues resulted from the initial shipments of a new consumer wellness product to mass-market retailers based in the United States. As of November 14, 2012, we have received purchase orders for additional units of our wellness product. We have generated significant operating losses since inception and we have a limited operating history upon which an evaluation of our prospects can be made. Our prospects must therefore be evaluated in light of the problems, expenses, delays and complications associated with a development stage company.

However, we need to raise additional funds on an immediate basis in order to realize our business plan as well as pay outstanding loans in the approximate amount of $1,456,000, of which $1,099,000 were currently due and payable at September 30, 2012, and to maintain operations. In response to the deteriorating global economic conditions that began in 2008, we have taken certain measures in an effort to reduce operating expenses and conserve our cash resources. Beginning July 2008, we have significantly curtailed our non-essential product design and development, and ceased all marketing activities and product manufacturing. We have terminated certain product development plans. In January 2010, we restructured our operations in an attempt to focus primarily on our core technology for non-medical market operations. The restructuring included entering into a licensing agreement for our then existing medical PulseOx product line, which resulted in the cessation of the Company's production, selling and medical marketing activities. As of November 14, 2012, we have two employees working on a full-time basis. In addition, all research and development activities are performed on a sub-contracted basis. If we are unable to raise capital on an immediate basis, it may be necessary for us to take further cost cutting measures to reduce our cash burn including laying-off additional personnel and/or cease operations entirely. No assurance can be given that we will be able to raise the needed capital. These conditions raise substantial doubt about our ability to continue as a going concern.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with generally accepted accounting

principles in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, bad debts, investments, intangible assets and income taxes. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

We have identified the accounting policies below as critical to our business operations and the understanding of our results of operations.

REVENUE RECOGNITION

We generated revenues principally from the sale our an oximetry product for sports and recreational use. Revenues are recognized when products are shipped to our customers.

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USE OF ESTIMATES

We face substantial competition for both loans and deposits. Competition for loans comes principally from other banks, savings institutions and other lenders. This competition could decrease the number and size of loans that we make and the interest rates and fees that we receive on these loans.

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We compete for deposits with banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds and mutual funds, many of which are uninsured. These competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to attract new deposits. Increased competition for deposits could increase our cost of funds, reduce our net interest margin and adversely affect our results of operations.

Regulation and Supervision

Holding Company

We are a unitary savings and loan holding company within the meaning of the Home Owners Loan Act, as amended, or HOLA. As such, we are registered with the Office of Thrift Supervision, or OTS, and are subject to OTS regulations, examinations, supervision and reporting requirements. In addition, the OTS has enforcement authority over us. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness or stability of a subsidiary savings bank.

HOLA prohibits a savings bank holding company, directly or indirectly, or through one or more subsidiaries, from:

- acquiring another savings institution or its holding company without prior written approval of the OTS;
- acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings institution, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by HOLA; or
- acquiring or retaining control of a depository institution that is not insured by the FDIC.

In evaluating an application by a holding company to acquire a savings institution, the OTS must consider the financial and managerial resources and future prospects of the company and savings institution involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community and competitive factors.

As a unitary savings and loan holding company, we generally are not restricted under existing laws as to the types of business activities in which we may engage, provided that BankAtlantic continues to satisfy the Qualified Thrift Lender, or QTL, test. See Regulation of Federal Savings Banks QTL Test for a discussion of the QTL requirements. If we were to make a non-supervisory acquisition of another savings institution or of a savings institution that meets the QTL test and is deemed to be a savings institution by the OTS and that will be held as a separate subsidiary, then we would become a multiple savings and loan holding company within the meaning of HOLA and would be subject to limitations on the types of business activities in which we can engage. HOLA limits the activities of a multiple savings institution holding company and its non-insured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act, subject to the prior approval of the OTS, and to other activities authorized by OTS regulation.

Transactions between BankAtlantic, including any of BankAtlantic s subsidiaries, and us or any of BankAtlantic s affiliates, are subject to various conditions and limitations. See Regulation of Federal Savings Banks Transactions with Related Parties. BankAtlantic must seek approval from the OTS prior to any declaration of the payment of any dividends or other capital distributions to us. See Regulation of Federal Savings Banks Limitation on Capital Distributions.

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BankAtlantic

BankAtlantic is a federal savings association and is subject to extensive regulation, examination, and supervision by the OTS, as its chartering agency and primary regulator, and the FDIC, as its deposit insurer. BankAtlantic s deposit accounts are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the FDIC. BankAtlantic must file reports with the OTS and the FDIC concerning its activities and financial condition. Additionally, BankAtlantic must obtain regulatory approvals prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions, and must submit applications or notices prior to forming certain types of subsidiaries or engaging in certain activities through its subsidiaries. The OTS and the FDIC conduct periodic examinations to assess BankAtlantic s safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a savings bank can engage and is intended primarily for the protection of the insurance fund and depositors. The OTS and the FDIC have significant discretion in connection with their supervisory and enforcement activities and examination policies. Any change in such applicable activities or policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on us, BankAtlantic, and our operations.

The following discussion is intended to be a summary of the material banking statutes and regulations applicable to BankAtlantic, and it does not purport to be a comprehensive description of such statutes and regulations, nor does it include every federal and state statute and regulation applicable to BankAtlantic.

Regulation of Federal Savings Banks

Business Activities. BankAtlantic derives its lending and investment powers from HOLA and the regulations of the OTS thereunder. Under these laws and regulations, BankAtlantic may invest in:

- mortgage loans secured by residential and commercial real estate;
- commercial and consumer loans;
- certain types of debt securities; and
- certain other assets.

BankAtlantic may also establish service corporations to engage in activities not otherwise permissible for BankAtlantic, including certain real estate equity investments and securities and insurance brokerage. These investment powers are subject to limitations, including, among others, limitations that require debt securities acquired by BankAtlantic to meet certain rating criteria and that limit BankAtlantic s aggregate investment in various types of loans to certain percentages of capital and/or assets.

Loans to One Borrower. Under HOLA, savings banks are generally subject to the same limits on loans to one borrower as are imposed on national banks. Generally, under these limits, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and not fully secured by collateral may not exceed 15% of the savings bank s unimpaired capital and unimpaired surplus. In addition to, and separate from, the 15% limitation, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and fully secured by readily-marketable collateral may not exceed 10% of the savings bank s unimpaired capital and unimpaired surplus. Readily-marketable collateral includes certain debt and equity securities and bullion, but generally does not include real estate. At December 31, 2009, BankAtlantic s limit on loans to one borrower was approximately $76.6 million. At December 31, 2009, BankAtlantic s largest aggregate amount of loans to one borrower was approximately $37.8 million and the second largest borrower had an aggregate balance of approximately $36.9 million.

QTL Test. HOLA requires a savings bank to meet a QTL test by maintaining at least 65% of its portfolio assets in certain qualified thrift investments on a monthly average basis in at least nine months out of every twelve months. A savings bank that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. At December 31, 2009, BankAtlantic maintained approximately 74% of its portfolio assets in qualified thrift investments. BankAtlantic had also

satisfied the QTL test in each of the nine months prior to December 2009 and, therefore, was a QTL.

Capital Requirements. The OTS regulations require savings banks to meet three minimum capital standards:

- a tangible capital requirement for savings banks to have tangible capital in an amount equal to at least 1.5% of adjusted total assets;
- a leverage ratio requirement:
  - for savings banks assigned the highest composite rating of 1, to have core capital in an amount equal to at least 3% of adjusted total assets; or
  - for savings banks assigned any other composite rating, to have core capital in an amount equal to at least 4% of adjusted total assets, or a higher percentage if warranted by the particular circumstances or risk profile of the savings bank; and
- a risk-based capital requirement for savings banks to have capital in an amount equal to at least 8% of risk-weighted assets.

In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a savings bank must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk-weights assigned by the OTS capital regulations. The OTS monitors the risk management of individual institutions. The OTS may impose an individual minimum capital requirement on institutions that it believes exhibit a higher degree of risk.

At December 31, 2009, BankAtlantic exceeded all applicable regulatory capital requirements. See note 21 to the Notes to the Consolidated Financial Statements for actual capital amounts and ratios.

There currently are no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings banks that are applicable to BankAtlantic; however, changes in regulations could result in additional requirements being imposed on us.

Limitation on Capital Distributions. The OTS regulations impose limitations upon certain capital distributions by savings banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital.

The OTS regulates all capital distributions by BankAtlantic directly or indirectly to us, including dividend payments. BankAtlantic currently must file an application to receive the approval of the OTS for a proposed capital distribution, as the total amount of all of BankAtlantic s capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds BankAtlantic s net income for that year-to-date period plus BankAtlantic s retained net income for the preceding two years.

BankAtlantic may not pay dividends to BankAtlantic Bancorp if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OTS notified BankAtlantic that it was in need of more than normal supervision. Under the Federal Deposit Insurance Act, or FDIA, an insured depository institution such as BankAtlantic is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized. Payment of dividends by BankAtlantic also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

Liquidity. BankAtlantic is required to maintain sufficient liquidity to ensure its safe and sound operation, in accordance with OTS regulations.

Assessments. The OTS charges assessments to recover the costs of examining savings banks and

their affiliates, processing applications and other filings, and covering direct and indirect expenses in regulating savings banks and their affiliates. These assessments are based on three components:

- the size of the savings bank, on which the basic assessment is based;
- the savings bank s supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings bank with a composite rating of 3, 4 or 5 in its most recent safety and soundness examination; and
- the complexity of the savings bank s operations, which results in an additional assessment based on a percentage of the basic assessment for any savings bank that has more than $1 billion in trust assets that it administers, loans that it services for others or assets covered by its recourse obligations or direct credit substitutes.

These assessments are paid semi-annually. BankAtlantic s assessment expense during the year ended December 31, 2009 was approximately $1.2 million.

Branching. Subject to certain limitations, HOLA and the OTS regulations permit federally chartered savings banks to establish branches in any state or territory of the United States.

Community Reinvestment. Under the Community Reinvestment Act, or CRA, a savings institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA requires the OTS to assess the institution s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution. This assessment focuses on three tests:

- a lending test, to evaluate the institution s record of making loans in its designated assessment areas;
- an investment test, to evaluate the institution s record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and
- a service test, to evaluate the institution s delivery of banking services throughout its designated assessment area.

The OTS assigns institutions a rating of outstanding, satisfactory, needs to improve, or substantial non-complianc The CRA requires all institutions to disclose their CRA ratings to the public. BankAtlantic received a satisfactory rating in its most recent CRA evaluation. Regulations also require all institutions to disclose certain agreements that are in fulfillment of the CRA. BankAtlantic has no such agreements in place at this time.

Transactions with Related Parties. BankAtlantic s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act, or FRA, by Regulation W of the Federal Reserve Board, or FRB, implementing Sections 23A and 23B of the FRA, and by OTS regulations. The applicable OTS regulations for savings banks regarding transactions with affiliates generally conform to the requirements of Regulation W, which is applicable to national banks. In general, an affiliate of a savings bank is any company that controls, is controlled by, or is under common control with, the savings bank, other than the savings bank s subsidiaries. For instance, we are deemed an affiliate of BankAtlantic under these regulations.

Generally, Section 23A limits the extent to which a savings bank may engage in covered transactions with any one affiliate to an amount equal to 10% of the savings bank s capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of the savings bank s capital stock and surplus. A covered transaction generally includes:

- making or renewing a loan or other extension of credit to an affiliate;
- purchasing, or investing in, a security issued by an affiliate;

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- purchasing an asset from an affiliate;
- accepting a security issued by an affiliate as collateral for a loan or other extension of credit to any person or entity; and
- issuing a guarantee, acceptance or letter of credit on behalf of an affiliate.

Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees, or acceptances of letters of credit issued on behalf of, an affiliate. Section 23B requires covered transactions and certain other transactions to be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the savings bank, as those prevailing at the time for transactions with or involving non-affiliates. Additionally, under the OTS regulations, a savings bank is prohibited from:

- making a loan or other extension of credit to an affiliate that is engaged in any non-bank holding company activity; and
- purchasing, or investing in, securities issued by an affiliate that is not a subsidiary.

Sections 22(g) and 22(h) of the FRA, Regulation O of the FRB, Section 402 of the Sarbanes-Oxley Act of 2002, and OTS regulations impose limitations on loans and extensions of credit from BankAtlantic and us to its and our executive officers, directors, controlling shareholders and their related interests. The applicable OTS regulations for savings banks regarding loans by a savings bank to its executive officers, directors and principal shareholders generally conform to the requirements of Regulation O, which is applicable to national banks.

Enforcement. Under the FDIA, the OTS has primary enforcement responsibility over savings banks and has the authority to bring enforcement action against all institution-affiliated parties, including any controlling stockholder or any shareholder, attorney, appraiser and accountant who knowingly or recklessly participates in any violation of applicable law or regulation, breach of fiduciary duty, or certain other wrongful actions that have, or are likely to have, a significant adverse effect on an insured savings bank or cause it more than minimal loss. In addition, the FDIC has back-up authority to take enforcement action for unsafe and unsound practices. Formal enforcement action can include the issuance of a capital directive, cease and desist order, removal of officers and/or directors, institution of proceedings for receivership or conservatorship and termination of deposit insurance.

Examination. A savings institution must demonstrate to the OTS its ability to manage its compliance responsibilities by establishing an effective and comprehensive oversight and monitoring program. The degree of compliance oversight and monitoring by the institution s management impacts the scope and intensity of the OTS examinations of the institution. Institutions with significant management oversight and monitoring of compliance will generally receive less extensive OTS examinations than institutions with less oversight.

Standards for Safety and Soundness. Pursuant to the requirements of the FDIA, the OTS, together with the other federal bank regulatory agencies, has adopted the Interagency Guidelines Establishing Standards for Safety and Soundness, or the Guidelines. The Guidelines establish general safety and soundness standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the Guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the Guidelines. If the OTS determines that a savings bank fails to meet any standard established by the Guidelines, then the OTS may require the savings bank to submit to the OTS an acceptable plan to achieve compliance. If a savings bank fails to comply, the OTS may seek an enforcement order in judicial proceedings and impose civil monetary penalties.

Shared National Credit Program. The Shared National Credit Program is an interagency program, established in 1977, to provide a periodic credit risk assessment of the largest and most complex syndicated loans held or agented by financial institutions subject to supervision by a federal bank regulatory agency. The Shared National Credit Program is administered by the FRB, FDIC, OTS and the Office of the

Comptroller of the Currency. The Shared National Credit Program covers any loan or loan commitment of at least $20 million (i) which is shared under a formal lending agreement by three or more unaffiliated financial institutions or (ii) a portion of which is sold to two or more unaffiliated financial institutions with the purchasing financial institutions assuming their pro rata share of the credit risk. The Shared National Credit Program is designed to provide uniformity and efficiency in the federal banking agencies analysis and rating of the largest and most complex credit facilities in the country by avoiding duplicate credit reviews and ensuring consistency in rating determinations. The federal banking agencies use a combination of statistical and judgmental sampling techniques to select borrowers for review each year. The selected borrowers are reviewed and the credit quality rating assigned by the applicable federal banking agency s examination team will be reported to each financial institution that participates in the loan as of the examination date. The assigned ratings are used during examinations of the other financial institutions to avoid duplicate reviews and ensure consistent treatment of these loans. BankAtlantic has entered into participations with respect to certain of its loans and has acquired participations in the loans of other financial institutions which are subject to this program and accordingly these loans may be subject to this additional review.

Real Estate Lending Standards. The OTS and the other federal banking agencies adopted regulations to prescribe standards for extensions of credit that are secured by liens on or interests in real estate or are made for the purpose of financing the construction of improvements on real estate. The OTS regulations require each savings bank to establish and maintain written internal real estate lending standards that are consistent with OTS guidelines and with safe and sound banking practices and which are appropriate to the size of the savings bank and the nature and scope of its real estate lending activities.

Prompt Corrective Regulatory Action. Under the OTS Prompt Corrective Action Regulations, the OTS is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings banks, such as requiring compliance with a capital restoration plan, restricting asset growth, acquisitions, branching and new lines of business and, in extreme cases, appointment of a receiver or conservator. The severity of the action required or authorized to be taken increases as a savings bank s capital deteriorates. Savings banks are classified into five categories of capitalization as well capitalized, adequately capitalized, undercapitalized, significantly undercapitalize and critically undercapitalized. Generally, a savings bank is categorized as well capitalized if:

its total capital is at least 10% of its risk-weighted assets;

its core capital is at least 6% of its risk-weighted assets;

its core capital is at least 5% of its adjusted total assets; and

it is not subject to any written agreement, order, capital directive or prompt corrective action directive issued by the OTS, or certain regulations, to meet or maintain a specific capital level for any capital measure.

The OTS categorized BankAtlantic as well capitalized following its last examination and BankAtlantic remained categorized well capitalized as of December 31, 2009. However, there is no assurance that it will continue to be deemed well capitalized even if current capital ratios are maintained where asset quality continues to deteriorate.

Insurance of Deposit Accounts. Savings banks are subject to a risk-based assessment system for determining the deposit insurance assessments to be paid by them.

Until December 31, 2006, the FDIC had assigned each savings institution to one of three capital categories based on the savings institution s financial information as of its most recent quarterly financial report filed with the applicable bank regulatory agency prior to the assessment period. The FDIC had also assigned each savings institution to one of three supervisory subcategories within each capital category based upon a supervisory evaluation provided to the FDIC by the savings institution s primary federal regulator and information that the FDIC determined to be relevant to the savings institution s financial condition and the risk posed to the previously existing deposit insurance funds. A savings institution s deposit insurance assessment rate depended on the capital category and supervisory subcategory to which it was assigned. Insurance assessment rates ranged from 0.00% of deposits for a savings institution in the

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highest category (i.e., well capitalized and financially sound, with no more than a few minor weaknesses) to 0.27% of deposits for a savings institution in the lowest category (i.e., undercapitalized and substantial supervisory concern).

On January 1, 2007, the Federal Deposit Insurance Reform Act of 2005, or the Reform Act, became effective. The Reform Act, among other things, merged the Bank Insurance Fund and the Savings Association Insurance Fund, both of which were administered by the FDIC, into a new fund administered by the FDIC known as the Deposit Insurance Fund, or DIF, and increased the coverage limit for certain retirement plan deposits to $250,000, but maintained the basic insurance coverage limit of $100,000 for other depositors. On October 3, 2008, the Emergency Economic Stabilization Act of 2008, or the Stabilization Act, temporarily raised the basic insurance coverage limit to $250,000. This temporary increase in the basic insurance coverage limit will expire on December 31, 2013 and the basic insurance coverage limit will return to $100,000 on January 1, 2014.

As a result of the Reform Act, the FDIC now assigns each savings institution to one of four risk categories based upon the savings institution s capital evaluation and supervisory evaluation. The capital evaluation is based upon financial information as of the savings institution s most recent quarterly financial report filed with the applicable bank regulatory agency at the end of each quarterly assessment period. The supervisory evaluation is based upon the results of examination findings by the savings institution s primary federal regulator and information that the FDIC has determined to be relevant to the savings institution s financial condition and the risk posed to the DIF. A savings institution s deposit insurance base assessment rate depends on the risk category to which it is assigned. In April 2009, the FDIC implemented regulations to improve the way its insurance base assessment rates differentiate risk among insured institutions and make the risk-based system fairer by limiting the subsidization of riskier institutions by safer institutions. For the quarter which began January 1, 2010, insurance base assessment rates range from 12 cents per $100 (but could be as low as 7 cents per $100, after computing applicable adjustments) in assessable deposits for a savings institution in the least risk category (i.e., well capitalized and financially sound with only a few minor weaknesses) to 45 cents per $100 (but could be as high as 77.5 cents per $100, after computing applicable adjustments) in assessable deposits for a savings institution in the most risk category (i.e., undercapitalized and poses a substantial probability of loss to the DIF unless effective corrective action is taken). BankAtlantic s FDIC deposit insurance premium increased from $2.8 million for the year ended December 31, 2008 to $8.6 million for the same 2009 period.

The FDIC is authorized to raise the assessment rates in certain circumstances, which would affect savings institutions in all risk categories. The FDIC is also authorized to impose special assessments. The FDIC has exercised its authority to raise assessment rates and impose special assessments several times in the past, including during 2009, and could raise rates and impose special assessments in the future. Increases in deposit insurance premiums and the imposition of special assessments would have an adverse effect on our earnings. BankAtlantic paid a $2.4 million FDIC special assessment for the year ended December 31, 2009.

Privacy and Security Protection. BankAtlantic is subject to the OTS regulations implementing the privacy and security protection provisions of the Gramm-Leach-Bliley Act, or GLBA. These regulations require a savings bank to disclose to its customers and consumers its policy and practices with respect to the privacy, and sharing with nonaffiliated third parties, of its customers and consumers nonpublic personal information. Additionally, in certain instances, BankAtlantic is required to provide its customers and consumers with the ability to opt-out of having BankAtlantic share their nonpublic personal information with nonaffiliated third parties. These regulations also require savings banks to maintain policies and procedures to safeguard their customers and consumers nonpublic personal information. BankAtlantic has policies and procedures designed to comply with GLBA and applicable privacy and security regulations.

Insurance Activities. BankAtlantic is generally permitted to engage in certain insurance activities through its subsidiaries. The OTS regulations implemented pursuant to GLBA prohibit, among other things, depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity or an agreement by the consumer not to purchase an insurance

product or annuity from an entity that is not affiliated with the depository institution. The regulations also require prior disclosure of this prohibition to potential insurance product or annuity customers.

Federal Home Loan Bank System. BankAtlantic is a member of the Federal Home Loan Bank, or FHLB, of Atlanta, which is one of the twelve regional FHLB s composing the FHLB system. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance. As a member of the FHLB of Atlanta, BankAtlantic is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankAtlantic was in compliance with this requirement with an investment in FHLB of Atlanta stock at December 31, 2009 of approximately $48.8 million. During the year ended December 31, 2009, the FHLB of Atlanta paid dividends of approximately $0.2 million on the capital stock held by BankAtlantic. The FHLB did not pay a dividend during the first six months of 2009 and in February 2009 suspended excess stock redemptions.

Federal Reserve System. BankAtlantic is subject to provisions of the FRA and the FRB s regulations, pursuant to which depository institutions may be required to maintain non-interest-earning reserves against their deposit accounts and certain other liabilities. Currently, federal savings banks must maintain reserves against transaction accounts (primarily NOW and regular interest and non-interest bearing checking accounts). The FRB regulations establish the specific rates of reserves that must be maintained, which are subject to adjustment by the FRB. BankAtlantic is currently in compliance with those reserve requirements. The required reserves must be maintained in the form of vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB. The FRB pays targeted federal funds rates on the required reserves which are lower than the yield on our traditional investments.

Anti-Terrorism and Anti-Money Laundering Regulations. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, provides the federal government with additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, or BSA, the USA PATRIOT Act puts in place measures intended to encourage information sharing among bank regulatory and law enforcement agencies. In addition, certain provisions of the USA PATRIOT Act impose affirmative obligations on a broad range of financial institutions, including savings banks.

Among other requirements, the USA PATRIOT Act and the related OTS regulations require savings banks to establish anti-money laundering programs that include, at a minimum:

- internal policies, procedures and controls designed to implement and maintain the savings bank s compliance with all of the requirements of the USA PATRIOT Act, the BSA and related laws and regulations;
- systems and procedures for monitoring and reporting of suspicious transactions and activities;
- a designated compliance officer;
- employee training;
- an independent audit function to test the anti-money laundering program;
- procedures to verify the identity of each customer upon the opening of accounts; and
- heightened due diligence policies, procedures and controls applicable to certain foreign accounts and relationships.

Additionally, the USA PATRIOT Act requires each financial institution to develop a customer identification program, or CIP, as part of its anti-money laundering program. The key components of the CIP are identification, verification, government list comparison, notice and record retention. The purpose of the CIP is to enable the financial institution to determine the true identity and anticipated account activity of each customer. To make this determination, among other things, the financial institution must collect certain information from customers at the time they enter into the customer relationship with the

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financial institution. This information must be verified within a reasonable time through documentary and non-documentary methods. Furthermore, all customers must be screened against any CIP-related government lists of known or suspected terrorists.

The USA Patriot Act established the Office of Foreign Assets Control (OFAC), which is a division of the Treasury Department, and is responsible for helping to ensure that United States entities do not engage in transactions with enemies of the United States, as defined by various Executive Orders and Acts of Congress. OFAC has sent banking regulatory agencies lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts. If BankAtlantic identifies a name on any transaction, account or wire transfer that is on an OFAC list, it must freeze or reject such account or transaction, evaluate the need to file a suspicious activity report and notify the Financial Crimes Enforcement Network (FinCEN).

Consumer Protection. BankAtlantic is subject to federal and state consumer protection statutes and regulations, including the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Truth in Lending Act, the Truth in Savings Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. Among other things, these acts:

- require lenders to disclose credit terms in meaningful and consistent ways;
- require financial institutions to establish policies and procedures regarding identity theft and notify customers of certain information concerning their credit reporting;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require certain lender banks to collect and report applicant and borrower data regarding loans for home purchase or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- prescribe penalties for violations of the requirements of consumer protection statutes and regulations.

ITEM 1A. RISK FACTORS

We have incurred significant losses during the last three years, and if we continue to incur significant losses we will need to raise additional capital, which may not be available on attractive terms, if at all.

BankAtlantic Bancorp has incurred losses of $22.2 million, $202.6 million and $185.8 million during the years ended December 31, 2007, December 31, 2008 and December 31, 2009, respectively. As part of its efforts to maintain regulatory capital ratios, BankAtlantic has reduced its assets and repaid borrowings. However, the reduction of earning asset balances has resulted in reduced income while at the same time BankAtlantic has experienced significant credit losses.

BankAtlantic Bancorp contributed $65 million and $105 million to the capital of BankAtlantic during the years ended December 31, 2008 and December 31, 2009, respectively. At December 31, 2009, BankAtlantic Bancorp had $14 million of liquid assets. While a wholly-owned work-out subsidiary of BankAtlantic Bancorp also holds a portfolio of approximately $31.3 million of nonperforming loans, net of reserves, $3.1 million of performing loans and $10.5 million of real estate owned which it could seek to liquidate, BankAtlantic Bancorp s sources of funds to continue to support BankAtlantic are limited.

If BankAtlantic Bancorp and BankAtlantic continue to experience losses and BankAtlantic s capital ratios decline, we may become subject to regulatory actions with respect to BankAtlantic, including the requirement to raise capital, and there is no assurance that at that time BankAtlantic Bancorp would

have sufficient funds in order to provide BankAtlantic capital, or that BankAtlantic Bancorp or BankAtlantic would have access to capital or that capital would be available without significant cost or without resulting in significant dilution to the Company s shareholders.

Continued capital and credit market volatility may adversely affect our ability to access capital and may have a material adverse effect on our business, financial condition and results of operations.

In light of the current challenging economic environment and the desire for the Company to be in a position to provide capital to BankAtlantic, the Company has and will continue to evaluate the advisability of raising additional funds through the issuance of securities. Any such financing could be obtained through additional public offerings, private offerings, in privately negotiated transactions or otherwise. We could also pursue these financings at the Company level or directly at BankAtlantic or both. Issuances of equity directly at BankAtlantic would dilute the Company s interest in BankAtlantic. During February 2010, we filed a shelf registration statement with the SEC pursuant to which we may issue up to $75 million of our Class A common stock and/or other securities in the future. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our shareholders bear the risk of future offerings at the Company level reducing the price of our Class A common stock and future offerings directly at BankAtlantic diluting the Company s interest in BankAtlantic.

BankAtlantic s capital levels at December 31, 2009 exceeded well capitalized regulatory capital levels. BankAtlantic Bancorp during the years ended December 31, 2009 and 2008 contributed $105 million and $65 million, respectively, of capital to BankAtlantic and at December 31, 2009 BankAtlantic Bancorp had $14 million of liquid assets. BankAtlantic Bancorp s ability to contribute additional capital to BankAtlantic will depend on its ability to raise capital in the secondary markets and on its ability to liquidate its portfolio of non-performing loans. The OTS has the right to impose additional capital requirements on banks at its discretion and could impose additional capital requirements on BankAtlantic. Our ability to raise additional capital will depend on, among other things, conditions in the financial markets at the time, which are outside of our control, and our financial condition, results of operations and prospects. The ongoing liquidity crisis and the loss of confidence in financial institutions may make it more difficult or more costly to obtain financing. There is no assurance that such capital will be available to us on acceptable terms or at all. The terms and pricing of any future transaction by the Company or BankAtlantic could result in additional substantial dilution to our existing shareholders and could adversely impact the price of our Class A common stock. If BankAtlantic sustains additional operating losses or if the OTS imposes more stringent capital requirements, there is no assurance that the Company will be able to provide additional capital, if needed, in order for BankAtlantic to meet its capital requirements in future periods.

BankAtlantic Bancorp has deferred interest on its outstanding junior subordinated debentures and anticipates that it will continue to defer this interest for the foreseeable future, which could adversely affect its financial condition and liquidity.

BankAtlantic Bancorp began deferring interest on all of its $294 million of junior subordinated debentures as of March 2009 which resulted in the deferral and accrual of $14.1 million of regularly scheduled quarterly interest payments that would otherwise have been paid during the year ended December 31, 2009. The terms of the junior subordinated debentures allow BankAtlantic Bancorp to defer interest payments for up to 20 consecutive quarterly periods, and BankAtlantic Bancorp anticipates that it will continue to defer such interest for the foreseeable future. During the deferral period, interest continues to accrue on the junior subordinated debentures, as well as on the deferred interest, at the relevant stated coupon rate, and at the end of the deferral period BankAtlantic Bancorp will be required to pay all interest accrued during the deferral period. In the event that the Company elects to defer interest on its junior subordinated debentures for the full 20 consecutive quarterly periods permitted under the terms of the junior subordinated debentures, BankAtlantic Bancorp would owe approximately $72 million of accrued

interest as of December 31, 2013 (based on average interest rates applicable at December 31, 2009, which were at historically low interest rate levels). As most of the outstanding junior subordinated debentures bear interest at rates that are indexed to LIBOR, if LIBOR rates increase, the interest that would accrue during the deferral period would be significantly higher and likewise increase the amount BankAtlantic Bancorp would owe at the conclusion of the deferral period.

BankAtlantic Bancorp s cash offers to purchase $230 million of trust preferred securities issued by statutory business trusts formed by BankAtlantic Bancorp ***may not be consummated.***

During January 2010, BankAtlantic Bancorp commenced cash offers to purchase all outstanding trust preferred securities having an aggregate principal amount of approximately $285 million at a purchase price of $200 per $1,000 liquidation amount, or an aggregate of $57 million. During February 2010, the cash offer with respect to the approximate $55 million of publicly traded trust preferred securities expired without any such trust preferred securities being repurchased, while the expiration date for the offers relating to the remaining $230 million of trust preferred securities was extended until March 22, 2010. The Company s ability to complete the offers to purchase $230 million of the Company s trust preferred securities is contingent upon the completion of a financing transaction sufficient to pay the purchase price, and the receipt of tenders and consents from Holders of the requisite amount of the relevant series of trusts preferred securities. The structure of the ownership of the trust preferred securities (the majority of which are held in pools with the securities of other issuers as collateral for collateralized debt obligations) has made it very difficult to communicate with the beneficial owners or negotiate the repurchase or modification of the terms of the outstanding securities. Accordingly, there is no assurance that BankAtlantic Bancorp will be able to repurchase or redeem any or a significant portion of the trust preferred securities. Further, as noted above, BankAtlantic Bancorp has deferred making interest payments on the trust preferred securities and BankAtlantic Bancorp financial condition would be adversely affected if interest payments on the trust preferred securities were deferred for a prolonged period of time. While BankAtlantic Bancorp anticipates that it will continue to defer interest payments for the foreseeable future, in the event that BankAtlantic Bancorp completes offers to purchase for less than all of its series of trust preferred securities, BankAtlantic Bancorp expects that it may cease the deferral of interest on the series of trust preferred securities which will not be repurchased prior to completing the repurchase of the other series and immediately thereafter once again commence the deferral of interest with respect to all remaining series of trust preferred securities not repurchased. Any issuance of our Class A common stock to raise funds to finance the purchase of any or all of the trust preferred securities subject to these offers could be extremely dilutive to existing shareholders.

Historically, BankAtlantic Bancorp has relied on dividends from BankAtlantic to service its debt and pay dividends, but no dividends from BankAtlantic are anticipated or contemplated for the foreseeable future.

Generally, a financial institution is permitted to make capital distribution without prior OTS approval in an amount equal to its net income for the current calendar year to date, plus retained net income for the previous two years, provided that the financial institution would not become under-capitalized as a result of the distribution. At December 31, 2009, BankAtlantic had a retained net deficit and therefore is required to obtain approval from the OTS in order to make capital distributions to BankAtlantic Bancorp. BankAtlantic does not intend to seek to make any capital distribution for the foreseeable future.

For a further discussion refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

The decline in the Florida real estate market has adversely affected, and may continue to adversely affect, our earnings and financial condition.

The continued deterioration of economic conditions in the Florida residential real estate market, including the continued decline in median home prices year-over-year in all major metropolitan areas in Florida, and the downturn in the Florida commercial real estate market, resulted in a substantial increase in BankAtlantic s non-performing assets and provision for loan losses over the past three years. The housing industry is in the midst of a substantial and prolonged downturn reflecting, in part, decreased availability of

mortgage financing for residential home buyers, reduced demand for new construction resulting in a significant over-supply of housing inventory and increased foreclosure rates. Additionally, the deteriorating condition of the Florida economy and these adverse market conditions have negatively impacted the commercial non-residential real estate market. BankAtlantic s earnings and financial condition were adversely impacted over the past three years as the majority of its loans are secured by real estate in Florida. We expect that our earnings and financial condition will continue to be unfavorably impacted if market conditions do not improve or deteriorate further in Florida. At December 31, 2009, BankAtlantic s loan portfolio included $263 million of non-accrual loans concentrated in Florida.

Our loan portfolio is concentrated in loans secured by real estate, a majority of which are located in Florida, which makes us very susceptible to credit losses given the current depressed real estate market.

Conditions in the United States real estate market have deteriorated significantly beginning in 2007, particularly in Florida, BankAtlantic s primary lending area. BankAtlantic s loan portfolio is concentrated in commercial real estate loans (most of which are located in Florida and many of which involve residential land development), residential mortgages (nationwide), and consumer home-equity loans (throughout BankAtlantic s markets in Florida). BankAtlantic has a heightened exposure to credit losses that may arise from this concentration as a result of the significant downturn in the Florida real estate markets. At December 31, 2009, BankAtlantic s loan portfolio included $2.5 billion of loans concentrated in Florida, which represented approximately 62% of its loan portfolio.

We believe that BankAtlantic s commercial residential loan portfolio has significant exposure to further declines in the Florida residential real estate market. The Builder land bank loan category held by BankAtlantic consists of 7 loans and aggregates $43.7 million of which six loans totaling $42.6 million were on non-accrual as of December 31, 2009. The Land acquisition and development loan category held by BankAtlantic consists of 27 loans and aggregates $171.9 million of which ten loans totaling $60.2 million were on non-accrual as of December 31, 2009. The Land acquisition, development and construction loan category held by BankAtlantic consists of 6 loans and aggregates $11.3 million of which one loan totaling $3.8 million was on non-accrual as of December 31, 2009.

In addition to the loans described above, during 2008, the Company formed an asset workout subsidiary which acquired non-performing commercial residential real estate loans from BankAtlantic. The balance of these non-performing loans as of December 31, 2009 was $39.4 million with $14.1 million, $10.4 million and $14.9 million of builder land bank loans , land acquisition and development loans , and land acquisition, development and construction loans , respectively.

Market conditions have and may in the future result in our commercial real estate borrowers having difficulty selling lots or homes in their developments for an extended period, which in turn could result in an increase in residential construction loan delinquencies and non-accrual balances. Additionally, if the current depressed economic environment continues or deteriorates further, collateral values may decline further which likely would result in increased credit losses in these loans.

Included in the commercial and construction and development real estate loans are approximately $638.4 million of commercial non-residential and commercial land loans. A borrowers ability to repay these loans is dependent upon additional leasing through the life of the loan or the borrower s successful operation of a business. Weak economic conditions may impair a borrower s business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space are expected to continue to rise in 2010. Increased vacancies could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in real estate market conditions and BankAtlantic may recognize higher credit losses on these loans, which would adversely affect our results of operations and financial condition.

BankAtlantic s commercial real estate loan portfolio includes 16 large lending relationships totaling $429.0 million, including relationships with unaffiliated borrowers involving lending commitments in each case in excess of $20 million. Defaults by any of these borrowers could have a material adverse

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effect on BankAtlantic s results.

BankAtlantic s consumer loan portfolio is concentrated in home equity loans collateralized by Florida properties primarily located in the markets where BankAtlantic operates its store network.

The decline in residential real estate prices and higher unemployment throughout Florida has resulted in an increase in mortgage delinquencies and higher foreclosure rates. Additionally, in response to the turmoil in the credit markets, financial institutions have tightened underwriting standards which has limited borrowers ability to refinance. These conditions have adversely impacted delinquencies and credit loss trends in BankAtlantic s home equity loan portfolio and it does not currently appear that these conditions will improve in the near term. Approximately 76% of the loans in BankAtlantic s home equity portfolio are residential second mortgages and BankAtlantic experienced higher delinquencies and credit losses in this portfolio during 2009. If current economic conditions do not improve and home prices continue to fall, BankAtlantic may continue to experience higher credit losses from this loan portfolio. Since the collateral for this portfolio consists primarily of second mortgages, it is unlikely that BankAtlantic will be successful in recovering all or any portion of its loan proceeds in the event of a default unless BankAtlantic is prepared to repay the first mortgage and such repayment and the costs associated with a foreclosure are justified by the value of the property.

An increase in BankAtlantic s allowance for loan losses will result in reduced earnings.

As a lender, BankAtlantic is exposed to the risk that its customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. BankAtlantic s management evaluates the collectability of BankAtlantic s loan portfolio and provides an allowance for loan losses that it believes is adequate based upon such factors as:

- the risk characteristics of various classifications of loans;
- previous loan loss experience;
- specific loans that have probable loss potential;
- delinquency trends;
- estimated fair value of the collateral;
- current economic conditions;
- the views of its regulators; and
- geographic and industry loan concentrations.

Many of these factors are difficult to predict or estimate accurately, particularly in a changing economic environment. The process of determining the estimated losses inherent in BankAtlantic s loan portfolio requires subjective and complex judgments and the level of uncertainty concerning economic conditions may adversely affect BankAtlantic s ability to estimate the losses which may be incurred in its loan portfolio. If BankAtlantic s evaluation is incorrect and borrower defaults cause losses exceeding the portion of the allowance for loan losses allocated to those loans or if BankAtlantic perceives adverse trends that require it to significantly increase its allowance for loan losses in the future, our earnings could be significantly and adversely affected.

Increases in the allowance for loan losses with respect to the loans held by our asset workout subsidiary, or losses in that portfolio which exceed the current allowance assigned to that portfolio, would similarly adversely affect us.

Adverse events in Florida, where our business is currently concentrated, could adversely impact our results and future growth.

BankAtlantic s business, the location of its stores, the primary source of repayment for its small business loans and the real estate collateralizing its commercial real estate loans (and the loans held by our asset workout subsidiary) and its home equity loans are primarily concentrated in Florida. As a result, we are exposed to geographic risks as increasing unemployment, declines in the housing industry and declines in the real estate market are more severe in Florida than in the rest of the country. Adverse changes in laws and regulations in Florida would have a greater negative impact on our revenues, financial condition and business than on similar institutions in markets outside of Florida. Further, the State of Florida is subject to the risks of natural disasters such as tropical storms and hurricanes, which may disrupt our operations, adversely impact the ability of our borrowers to timely repay their loans and the value of any collateral held by us or otherwise have an adverse effect on our results of operations. The severity and impact of tropical storms, hurricanes and other weather related events are difficult to predict and may be exacerbated by global climate change.

BankAtlantic s interest-only residential loans expose it to greater credit risks.

Approximately $776 million of BankAtlantic s purchased residential loan portfolio consists of interest-only loans which represent approximately 50% of the total purchased residential loan portfolio. While these loans are not considered sub-prime or negative amortizing loans, they are loans with reduced initial loan payments with the potential for significant increases in monthly loan payments in subsequent periods, even if interest rates do not rise, as required amortization of the principal commences. Monthly loan payments will also increase as interest rates increase. This presents a potential repayment risk if the borrower is unable to meet the higher debt service obligations or refinance the loan. As previously noted, current economic conditions in the residential real estate markets and the mortgage finance markets have made it more difficult for borrowers to refinance their mortgages which also increase our exposure to loss.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

At December 31, 2009 and 2008, the Company s consolidated nonperforming loans totaled $331.0 million and $287.4 million, or 8.96% and 6.65% of our loan portfolio, respectively. At December 31, 2009 and 2008, the Company s consolidated nonperforming assets (which include nonperforming loans and foreclosed real estate) were $379.7 million and $307.9 million, or 7.88% and 5.30% of our total assets, respectively. In addition, the Company had, on a consolidated basis, approximately $72.9 million and $95.3 million in accruing loans that were 30-89 days delinquent at December 31, 2009 and 2008, respectively. Our nonperforming assets adversely affect our net income in various ways. Until economic and real estate market conditions improve, particularly in Florida but also nationally, we expect to continue to incur additional losses relating to an increase in nonperforming loans and nonperforming assets. We do not record interest income on nonperforming loans or real estate owned. When we receive the collateral in foreclosures or similar proceedings, we are required to mark the related collateral to the then fair market value, generally based on appraisals of the property obtained by us, which often results in an additional loss. These loans and real estate owned also increase our risk profile, and increases in the level of nonperforming loans and nonperforming assets could impact our regulators view of appropriate capital levels in light of such risks. While we seek to manage our problem assets through loan sales, workouts, restructurings and other alternatives, decreases in the value of these assets, or the underlying collateral, or in these borrowers performance or financial conditions, which is often impacted by economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management, which can be detrimental to the performance of their other responsibilities.

Changes in interest rates could adversely affect our net interest income and profitability.

The majority of BankAtlantic s assets and liabilities are monetary in nature. As a result, the earnings and growth of BankAtlantic are significantly affected by interest rates, which are subject to the

influence of economic conditions generally, both domestic and foreign, events in the capital markets and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board. The nature and timing of any changes in such policies or general economic conditions and their effect on BankAtlantic cannot be controlled and are extremely difficult to predict. Changes in interest rates can impact BankAtlantic s net interest income as well as the valuation of its assets and liabilities.

Banking is an industry that depends to a large extent on its net interest income. Net interest income is the difference between:

- interest income on interest-earning assets, such as loans; and
- interest expense on interest-bearing liabilities, such as deposits.

Changes in interest rates can have differing effects on BankAtlantic s net interest income. In particular, changes in market interest rates, changes in the relationships between short-term and long-term market interest rates, or the yield curve, or changes in the relationships between different interest rate indices can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income and therefore reduce BankAtlantic s net interest income. While BankAtlantic has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates, there is no assurance that BankAtlantic will be successful in doing so.

Loan and mortgage-backed securities prepayment decisions are also affected by interest rates. Loan and securities prepayments generally accelerate as interest rates fall. Prepayments in a declining interest rate environment reduce BankAtlantic s net interest income and adversely affect its earnings because:

- it amortizes premiums on acquired loans and securities, and if loans or securities are prepaid, the unamortized premium will be charged off; and
- the yields it earns on the investment of funds that it receives from prepaid loans and securities are generally less than the yields that it earned on the prepaid loans.

Significant loan prepayments in BankAtlantic s mortgage and investment portfolios in the future could have an adverse effect on BankAtlantic s earnings as proceeds from the repayment of loans may be reinvested in loans with lower interest rates. Additionally, increased prepayments associated with purchased residential loans may result in increased amortization of premiums on acquired loans, which would reduce BankAtlantic s interest income.

In a rising interest rate environment, loan and securities prepayments generally decline, resulting in yields that are less than the current market yields. In addition, the credit risks of loans with adjustable rate mortgages may worsen as interest rates rise and debt service obligations increase.

BankAtlantic uses a computer model using standard industry software to assist it in its efforts to quantify BankAtlantic s interest rate risk. The model measures the potential impact of gradual and abrupt changes in interest rates on BankAtlantic s net interest income. While management would attempt to respond to the projected impact on net interest income, there is no assurance that management s efforts will be successful.

BankAtlantic obtains a significant portion of its non-interest income through service charges on core deposit accounts, and recent legislation designed to limit service charges could reduce our fee income.

BankAtlantic s deposit account growth has generated a substantial amount of service charge income. The largest component of this service charge income is overdraft fees. Changes in banking regulations, in particular the Federal Reserve s new rules prohibiting banks from automatically enrolling customers in overdraft protection programs which will become effective July 1, 2010, may have a

significant adverse impact on our service charge income and overall results. Additionally, changes in customer behavior as well as increased competition from other financial institutions could result in declines in deposit accounts or in overdraft frequency resulting in a decline in service charge income. Further, the downturn in the Florida economy could result in the inability to collect overdraft fees. A reduction in deposit account fee income could have an adverse impact on our earnings.

***The cost and outcome of pending legal proceedings may impact our results of operations*.**

BankAtlantic Bancorp, BankAtlantic and their subsidiaries are currently parties in ongoing litigation and legal proceedings which have resulted in a significant increase in non-interest expense relating to legal and other professional fees. Pending proceedings include class action securities litigation and an SEC investigation, as well as litigation arising out of our banking operations including workouts and foreclosures, potential class actions by customers relating to their accounts and service and overdraft fees and legal proceedings associated with our tax certificate business and relationships with third party tax certificate ventures. While we believe that we have meritorious defenses in these proceedings and that the outcomes should not materially impact us, we anticipate continued elevated legal and related costs as parties to the actions and the ultimate outcomes of the matters are uncertain.

BankAtlantic has significantly reduced operating expenses over the past three years and BankAtlantic may not be able to continue to reduce expenses without adversely impacting its operations.

BankAtlantic s operating expenses have declined from $313.9 million for the year ended December 31, 2007 to $258.8 million for the year ended December 31, 2009. BankAtlantic reorganized its operations during this period and significantly reduced operating expenses while focusing on its core businesses and seeking to maintain quality customer service. While management is focused on reducing overall expenses, there is no assurance that BankAtlantic will be successful in efforts to further reduce expenses or that the current expense reductions can be maintained in the current environment. BankAtlantic s inability to reduce or maintain its current expense structure may have an adverse impact on our results.

Deposit insurance premium assessments may increase substantially, which would adversely affect expenses.

BankAtlantic s FDIC deposit insurance expense for the year ended December 31, 2009 was $11.0 million, including a $2.4 million special assessment. In September 2009, the FDIC issued a rule requiring institutions to prepay their insurance premiums for all of 2010, 2011 and 2012, and increased annual insurance rates uniformly by three basis points in 2011. BankAtlantic s prepaid insurance assessment was $31.3 million at December 31, 2009. If the economy worsens and the number of bank failures significantly increase or if the FDIC otherwise determines that action is necessary, BankAtlantic may be required to pay additional FDIC specific assessments or incur increased annual insurance rates which would increase our expenses and adversely impact our results.

Further reductions in BankAtlantic s assets may adversely affect our earnings and/or operations.

BankAtlantic has reduced its assets and repaid borrowings in order to improve its liquidity and regulatory capital ratios. The reduction of earning asset balances has reduced our net interest income. Our net interest income was $193.6 million for the year ended December 31, 2008 and $163.3 million for the year ended December 31, 2009. The reduction in net interest income from earning asset reductions has previously been offset by lower operating expenses in prior periods. Our ability to further reduce expenses without adversely affecting our operations may be limited and as a result, further reductions in our earning asset balances in future periods, may adversely affect earnings and/or operations.

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Adverse market conditions have affected and may continue to affect the financial services industry as well as our business and results of operations.

Our financial condition and results of operations have been, and may continue to be, adversely impacted as a result of the downturn in the U.S. housing market and general economic conditions. Dramatic declines in the national and, in particular, Florida housing markets over the past three years, with falling home prices and increasing foreclosures and unemployment, have negatively impacted the credit performance of our loans and resulted in significant asset impairments at all financial institutions, including government-sponsored entities, major commercial and investment banks, and regional and community financial institutions including BankAtlantic. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The continuing economic pressure on consumers and lack of confidence in the financial markets has adversely affected and may continue to adversely affect our business, financial condition and results of operations. Further negative market and economic developments may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for loan losses. Continuing economic deterioration that affects household and/or corporate incomes could also result in reduced demand for credit or fee-based products and services. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on BankAtlantic and others in the financial services industry. In particular, we may face the following risks in connection with these events:

BankAtlantic s borrowers may be unable to make timely repayments of their loans, or the value of real estate collateral securing the payment of such loans may continue to decrease which could result in increased delinquencies, foreclosures and customer bankruptcies, any of which would increase levels of non-performing loans resulting in significant credit losses, and increased expenses and could have a material adverse effect on our operating results.

Further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations, may result in an inability to borrow on favorable terms or at all from other financial institutions or government entities.

Increased regulation of the industry may increase costs, decrease fee income and limit BankAtlantic s activities and operations.

Increased competition among financial services companies based on the recent consolidation of competing financial institutions and the conversion of investment banks into bank holding companies, may adversely affect BankAtlantic s ability to competitively market its products and services.

BankAtlantic may be required to pay significantly higher FDIC deposit premiums and assessments.

Continued asset valuation declines could adversely impact our credit losses and result in additional impairments of goodwill and other assets.

Legislative and regulatory actions taken now or in the future may have a significant adverse effect on our financial statements.

During 2009, the U.S. Treasury implemented various initiatives in response to the financial crises affecting the banking system and financial markets. These initiatives include the U.S. Treasury s Capital Purchase Program (the CPP), the guarantee of certain financial institution indebtedness, purchasing certain legacy loans and assets from financial institutions, the purchase of mortgage securitizations, homeowner relief that encourages loan restructuring and modification, the establishment of significant liquidity and credit facilities for financial institutions and investment banks, the lowering of the federal funds rate, emergency action against short selling practices, a temporary

guaranty program for money market funds, the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers, coordinated international efforts to address illiquidity and other weaknesses in

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the banking sector and other programs being developed. There can be no assurance as to the actual impact that the initiatives that have been adopted or may be adopted in the future will have on the financial markets. The initiatives could have a material and adverse affect on BankAtlantic s business, financial condition, results of operations and access to credit.

Further, recent events in the financial services industry and, more generally, in the financial markets and the economy, have led to various proposals for changes in the regulation of the financial services industry. Earlier in 2009, legislation proposing significant structural reforms to the financial services industry was introduced in the U.S. Congress. Among other things, the legislation proposes the establishment of a Consumer Financial Protection Agency, which would have broad authority to regulate providers of credit, savings, payment and other consumer financial products and services. Additional legislative proposals call for heightened scrutiny and regulation of any financial firm whose combination of size, leverage, and interconnectedness could, if it failed, pose a threat to the country s financial stability, including the power to restrict the activities of such firms and even require the break-up of such firms at the behest of the relevant regulator. New rules have also been proposed for the securitization market, including requiring sponsors of securitizations to retain a material economic interest in the credit risk associated with the underlying securitization.

Other recent initiatives also include:

The Federal Reserve s proposed guidance on incentive compensation policies at banking organizations and the FDIC s proposed rules tying employee compensation to assessments for deposit insurance;

Proposals to limit a lender s ability to foreclose on mortgages or make such foreclosures less economically viable, including by allowing Chapter 13 bankruptcy plans to cram down the value of certain mortgages on a consumer s principal residence to its market value and/or reset interest rates and monthly payments to permit defaulting debtors to remain in their home;

Proposed legislation concerning the comprehensive regulation of the over-the-counter derivatives market, including robust and comprehensive prudential supervision (including strict capital and margin requirements) for all over-the-counter derivative dealers and major market participants and central clearing of standardized over-the-counter derivatives; and

Proposal which would prohibit banks and bank holding companies from engaging in proprietary trading or owning, investing or sponsoring a hedge fund or private equity fund.

The proposed legislation contains several provisions that would have a direct impact on us. Under the proposed legislation, the federal savings association charter would be eliminated and the Office of Thrift Supervision would be consolidated with the Comptroller of the Currency into a new regulator, the National Bank Supervisor. The proposed legislation would also require BankAtlantic to convert to a national bank.

While there can be no assurance that any or all of the proposed regulatory or legislative changes will ultimately be adopted, these changes or any future changes, if enacted or adopted, may impact our business activities, require us to change certain of our business practices, materially affect our business model or affect retention of key personnel, and could expose us to additional costs (including increased compliance costs). These changes may also require us to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect our business and operations.

There can be no assurance as to the actual impact that the initiatives that have been adopted or may be adopted in the future will have on banks or the financial markets. These government initiatives could potentially have a material and adverse affect on BankAtlantic s business, financial condition, results of operations and access to credit.

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The Company and BankAtlantic are each subject to significant regulation and the Company s activities and the activities of the Company s subsidiaries, including BankAtlantic, are subject to regulatory requirements that could have a material adverse effect on the Company s business.

The banking industry is an industry subject to multiple layers of regulation. Failure to comply with any of these regulations can result in substantial penalties, significant restrictions on business activities and growth plans and/or limitations on dividend payments. As a holding company, BankAtlantic Bancorp is also subject to significant regulation. For a description of the primary regulations applicable to BankAtlantic and BankAtlantic Bancorp, see Regulations and Supervision . Changes in the regulation or capital requirements associated with holding companies generally or BankAtlantic Bancorp in particular could also have an adverse impact on our business and operating results.

The Company is a grandfathered unitary savings and loan holding company and has broad authority to engage in various types of business activities. The OTS can prevent the Company from engaging in activities or limit those activities if it determines that there is reasonable cause to believe that the continuation of any particular activity constitutes a serious risk to the financial safety, soundness, or stability of BankAtlantic. The OTS can also:

prohibit the payment of dividends by BankAtlantic to the Company;

limit transactions between the Company, BankAtlantic and the subsidiaries or affiliates of either;

limit the Company s activities and the activities of BankAtlantic; or

Impose capital requirements on the Company or additional capital requirements on BankAtlantic.

Unlike bank holding companies, as a unitary savings and loan holding company the Company has not historically been subject to capital requirements. However, the OTS has indicated that it may, in the future, impose capital requirements on savings and loan holding companies. In addition, as noted above, the current administration has proposed legislation which would, among other things, eliminate the status of savings and loan holding company and require BankAtlantic Bancorp to register as a bank holding company, which would subject BankAtlantic Bancorp to regulatory capital requirements. Further, the OTS or other regulatory bodies having authority over the Company in the future may adopt regulations in the future that would affect the Company s operations, including the Company s ability to pay dividends or to engage in certain transactions or activities. See Regulation and Supervision Holding Company.

BankAtlantic is subject to liquidity risk as its loans are funded by its deposits.

Like all financial institutions, BankAtlantic s assets are primarily funded through its customer deposits and changes in interest rates, availability of alternative investment opportunities, a loss of confidence in financial institutions in general or BankAtlantic in particular, and other factors may make deposit gathering more difficult. If BankAtlantic experiences decreases in deposit levels, it may need to increase its borrowings or liquidate a portion of its assets which may not be readily saleable. Additionally, interest rate changes or further disruptions in the capital markets may make the terms of borrowings and deposits less favorable. For a further discussion on liquidity, refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

Our loan portfolio subjects us to high levels of credit and counterparty risk.

We are exposed to the risk that our borrowers or counter-parties may default on their obligations. Credit risk arises through the extension of loans, certain securities, letters of credit, and financial guarantees and through counter-party exposure on trading and wholesale loan transactions. In an attempt to manage this risk, we seek to establish policies and procedures to manage both on and off-balance sheet (primarily loan commitments) credit risk.

BankAtlantic reviews the creditworthiness of individual borrowers or counter-parties, and limits are established for the total credit exposure to any one borrower or counter-party; however, such limits may

not have the effect of adequately limiting credit exposure. In addition, when deciding whether to extend credit or enter into other transactions with customers and counterparties, we often rely on information furnished to us by such customers and counterparties, including financial statements and other financial information, and representations of the customers and counterparties that relates to the accuracy and completeness of the information. While we take all actions we deem necessary to ensure the accuracy of the information provided to us, there is no assurance that all information provided to us will be accurate or that we will successfully identify all information needed to fully assess the risk which may expose us to increased credit risk and counterparty risk.

BankAtlantic also enters into participation agreements with or acquires participation interests from other lenders to limit its credit risk, but will continue to be subject to risks with respect to its interest in the loan, as well as not being in a position to make independent determinations with respect to its interest. Further, the majority of BankAtlantic s residential loans are serviced by others. The servicing agreements may restrict BankAtlantic s ability to initiate work-out and modification arrangements with borrowers which could adversely impact BankAtlantic s ability to minimize losses on non-performing loans.

The Company is also exposed to credit and counterparty risks with respect to loans held in its asset workout subsidiary.

The Company is controlled by BFC Financial Corporation and its controlling shareholders and this control position may adversely affect the market price of the Company s Class A common stock.

As of December 31, 2009, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B common stock and 17,333,428 shares, or approximately 35.9%, of the Company s issued and outstanding Class A common stock. BFC s holdings represent approximately 66% of the Company s total voting power. Additionally, Alan B. Levan, our Chairman and Chief Executive Officer, and John E. Abdo, our Vice Chairman, beneficially own shares of BFC s Class A and Class B common stock representing approximately 71.6% of BFC s total voting power. The Company s Class A common stock and Class B common stock vote as a single group on most matters. Accordingly, BFC, directly, and Messrs. Levan and Abdo, indirectly through BFC, are in a position to control the Company, elect the Company s Board of Directors and significantly influence the outcome of any shareholder vote, except in those limited circumstances where Florida law mandates that the holders of the Company s Class A common stock vote as a separate class. This control position may have an adverse effect on the market price of the Company s Class A common stock.

BFC can reduce its economic interest in us and still maintain voting control.

Our Class A common stock and Class B common stock generally vote together as a single class, with our Class A common stock possessing a fixed 53% of the aggregate voting power of all of our common stock and our Class B common stock possessing a fixed 47% of such aggregate voting power. Our Class B common stock currently represents approximately 2% of our common equity and 47% of our total voting power. As a result, the voting power of our Class B common stock does not bear a direct relationship to the economic interest represented by the shares. Any issuance of shares of our Class A common stock will further dilute the relative economic interest of our Class B common stock, but will not decrease the voting power represented by our Class B common stock. Further, our Restated Articles of Incorporation provide that these relative voting percentages will remain fixed until such time as BFC and its affiliates own less than 487,613 shares of our Class B common stock, which is approximately 50% of the number of shares of our Class B common stock that BFC now owns, even if additional shares of our Class A common stock are issued. Therefore, BFC may sell up to approximately 50% of its shares of our Class B common stock (after converting those shares to Class A common stock), and significantly reduce its economic interest in us, while still maintaining its voting power. If BFC were to take this action, it would widen the disparity between the equity interest represented by our Class B common stock and its voting power. Any conversion of shares of our Class B common stock into shares of our Class A common stock would further dilute the voting interests of the holders of our Class A common stock.

Provisions in our charter documents may make it difficult for a third party to acquire us and could depress the price of our Class A Common Stock.

Our Restated Articles of Incorporation and Amended and Restated Bylaws contain provisions that could delay, defer or prevent a change of control of the Company or our management. These provisions could make it more difficult for shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our Class A common stock. These provisions include:

the provisions in our Restated Articles of Incorporation regarding the voting rights of our Class B common stock;

the authority of our board of directors to issue additional shares of common or preferred stock and to fix the relative rights and preferences of the preferred stock without additional shareholder approval;

the division of our board of directors into three classes of directors with three-year staggered terms; and

advance notice procedures to be complied with by shareholders in order to make shareholder proposals or nominate directors.

A sustained decline in the Company s Class A common stock price may result in the delisting of its Class A common stock from the New York Stock Exchange.

The Company s Class A common stock currently trades on the New York Stock Exchange. Like many other companies involved in the financial services industry, the trading price of the Company s Class A common stock has experienced a substantial decline. A listed company would be deemed to be below compliance with the continued listing standards of the New York Stock Exchange if, among other things, the listed company s average closing price was less than $1.00 over a consecutive 30 trading day period or the listed company s average market capitalization was less than $15 million over a consecutive 30 trading day period. As of February 25, 2010, the average market price of the Company s Class A common stock over the prior 30 trading day period was $1.41, and the Company s average market capitalization over that period was $69.3 million. However, the market price of the Company s Class A common stock is subject to significant volatility and there is no assurance that it will not decrease in the future so as to cause the Company not to comply with the New York Stock Exchange s requirement for continued listing.

If the Company does not meet the requirements for continued listing, then the Company s Class A common stock will be delisted from the New York Stock Exchange. In such case, the Company would attempt to cause its Class A common stock to be eligible for quotation on the OTC Bulletin Board. However, in such event, the trading price of the Company s Class A common stock would likely be adversely impacted, it may become more difficult for the holders of the Company s Class A common stock to sell or purchase shares of the Company s Class A common stock, and it may become more difficult for the Company to raise capital, which could materially and adversely impact our business, prospects, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

BankAtlantic owns the Company s and BankAtlantic s principal and executive offices which are located at 2100 West Cypress Creek Road, Fort Lauderdale, Florida, 33309.

The following table sets forth owned and leased stores by region at December 31, 2009:

	Miami - Dade	Broward	Palm Beach	Tampa Bay
Owned full-service stores	9	13	25	7
Leased full-service stores	11	11	5	5
Ground leased full-service stores (1)	3	3	1	7
Total full-service stores	23	27	31	19
Lease expiration dates	2010-2018	2010-2015	2011-2014	2010-2023
Ground lease expiration dates	2026-2027	2017-2072	2026	2026-2032

(1) Stores in which BankAtlantic owns the building and leases the land.

The following table sets forth leased drive-through facilities and leased back-office facilities by region at December 31, 2009:

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Leased drive-through facilities	1	2			
Leased drive through expiration dates	2010	2011-2014			
Leased back-office facilities				2	1
Leased back-office expiration dates				2014	2013

As of December 31, 2009, BankAtlantic was seeking to sublease or terminate eight operating leases and was a party under two ground leases for the construction of new stores. BankAtlantic also has six parcels of land held for sale with an estimated market value of $6.0 million.

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Executed leases for new stores		1	1		
Executed lease expiration dates		2030	2028		

Executed leases held for sublease	1		5	2
Executed lease expiration dates	2013		2010-2048	2028-2029
Land held for sale		1	1	4

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ITEM 3. LEGAL PROCEEDINGS

***In re BankAtlantic Bancorp, Inc. Securities Litigation*, No. 0:07-cv-61542-UU, United States District Court, Southern District of Florida**

On October 29, 2007, Joseph C. Hubbard filed a purported class action in the United States District Court for the Southern District of Florida against the Company and four of its current or former officers. The Defendants in this action are BankAtlantic Bancorp, Inc., James A. White, Valerie C. Toalson, Jarett S. Levan, and Alan B. Levan. The Complaint, which was later amended, alleges that during the purported class period of November 9, 2005 through October 25, 2007, the Company and the named officers knowingly and/or recklessly made misrepresentations of material fact regarding BankAtlantic and specifically BankAtlantic s loan portfolio and allowance for loan losses. The Complaint seeks to assert claims for violations of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks unspecified damages. On December 12, 2007, the Court consolidated into *Hubbard* a separately filed action captioned *Alarm Specialties, Inc. v. BankAtlantic Bancorp, Inc.*, No. 0:07 cv-61623-WPD. On February 5, 2008, the Court appointed State-Boston Retirement System lead plaintiff and Lubaton Sucharow LLP to serve as lead counsel pursuant to the provisions of the Private Securities Litigation Reform Act. The Company believes the claims to be without merit and intends to vigorously defend the actions.

***D.W. Hugo, individually and on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. BankAtlantic Bancorp, Inc., Alan B. Levan, Jarett S. Levan, Jay C. McClung, Marcia K. Snyder, Valerie Toalson, James A. White, John E. Abdo, D. Keith Cobb, Steven M. Coldren, and David A. Lieberman,* Case No. 0:08-cv-61018-UU, United States District Court, Southern District of Florida**

On July 2, 2008, D.W. Hugo filed a purported class action which was brought as a derivative action on behalf of the Company pursuant to Florida laws in the United States District Court, Southern District of Florida against the Company and the above listed officers and directors. The Complaint alleges that the individual defendants breached their fiduciary duties by engaging in certain lending practices with respect to the Company s Commercial Real Estate Loan Portfolio. The Complaint further alleges that the Company s public filings and statements did not fully disclose the risks associated with the Commercial Real Estate Loan Portfolio and seeks damages on behalf of the Company.

On December 2, 2008, the Circuit Court for Broward County stayed a separately filed action captioned *Albert R. Feldman, Derivatively on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. Alan B. Levan, et al.,* Case No. 0846795 07. The court granted the motion to stay the action pending further order of the court and allowing any party to move for relief from the stay, provided the moving party gives at least thirty days written notice to all of the non-moving parties. The Company believes the claims to be without merit and intends to vigorously defend the actions.

***Wilmine Almonor, individually and on behalf of all others similarly situated, vs. BankAtlantic Bancorp, Inc., Steven M. Coldren, Mary E. Ginestra, Willis N. Holcombe, Jarett S. Levan, John E. Abdo, David A. Lieberman, Charlie C. Winningham II, D. Keith Cobb, Bruno L. DiGiulian, Alan B. Levan, James A. White, the Security Plus Plan Committee, and Unknown Fiduciary Defendants 1-50*, No. 0:07-cv-61862- DMM, United States District Court, Southern District of Florida.**

On December 20, 2007, Wilmine Almonor filed a purported class action in the United States District Court for the Southern District of Florida against the Company and the above-listed officers, directors, employees, and organizations. The Complaint alleges that during the purported class period of November 9, 2005 to present, the Company and the individual defendants violated the Employment Retirement Income Security Act (ERISA) by permitting company employees to choose to invest in the Company s Class A common stock in light of the facts alleged in the *Hubbard* securities lawsuit. The Complaint seeks to assert claims for breach of fiduciary duties, the duty to provide accurate information, the duty to avoid conflicts of interest under ERISA and seeks unspecified damages. On February 18, 2009, the Plaintiff filed a Second Amended Complaint, which, for the first time, identified by name the following additional Defendants that Plaintiff had previously attempted to identify by position: Anne B. Chervony,

Lewis F. Sarrica, Susan D. McGregor, Jeff Callan, Patricia Lefebvre, Jeffrey Mindling, Tim Watson, Gino Martone, Jose Valle, Juan Carlos Ortigosa, Gerry Lachnicht, Victoria Bloomenfeld, Rita McManus, and Kathleen Youlden.

On July 14, 2009, the Court granted in part Defendants motion to dismiss the Second Amended Complaint, dismissing the following individual Defendants from Count II: Lewis Sarrica, Susan McGregor, Patricia Lefebvre, Jeffrey Mindling and Gerry Lachnicht. On July 28, 2009, the Court denied Plaintiff s motion for class certification. On January 13, 2010, the Court ruled that the Plaintiff s status as a Plan representative threatens the interests of the Plan, and in turn other Plan participants, and threatens the integrity of the judicial process. The court denied the Plaintiff s request to proceed as a Plan representative and accordingly, the case is currently proceeding solely on the basis of the Plaintiff s individual claim. The Company believes the claim to be without merit and intends to vigorously defend the action.

SEC Investigation

The Company has received a notice of investigation from the Securities and Exchange Commission, Miami Regional Office and subpoenas for information. The subpoenas request a broad range of documents relating to, among other matters, recent and pending litigation to which the Company is or was a party, certain of the Company s non-performing, non-accrual and charged-off loans, the Company s cost saving measures, BankAtlantic Bancorp s recently formed asset workout subsidiary and any purchases or sales of the Company s common stock by officers or directors of the Company. Various current and former employees have also received subpoenas for documents and testimony. The Company is fully cooperating with the SEC.

Lashelle Farrington, individually and on behalf of all others similarly situated, v. BankAtlantic, a Federal Savings Bank, Case No. 09-006210 (11), in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida.

The original *Farrington* complaint was filed on February 2, 2009 against BankAtlantic and several of BankAtlantic s affiliates (namely, BA Financial Services, LLC, BankAtlantic Bancorp, Inc., BFC Financial Corporation, and Joe Does 1-10), and the Plaintiff subsequently amended her complaint to drop the non-BankAtlantic defendants. The Amended Complaint alleges that BankAtlantic breached its Personal Account Depositor s Agreement by charging overdraft fees for certain debit card purchases when the customer allegedly had sufficient funds in her account at the time that the items were paid even though the account was overdrawn at the close of business. The Plaintiff seeks to establish a class comprised of all persons or entities with accounts that incurred these allegedly improper overdraft fees on debit card transactions in the previous 5 years. The Plaintiff has not yet moved to certify a class. The Company believes the claims to be without merit and intends to vigorously defend the action

Joel and Elizabeth Rothman, on behalf of themselves and all persons similarly situated vs. BankAtlantic, **Case No. 09-059341 (07), Circuit Court of the 17th Judicial Circuit for Broward County, Florida.**

On November 2, 2009, Joel and Elizabeth Rothman filed a purported class action against BankAtlantic in Florida state court. The Complaint asserts claims for breach of contract, breach of duty of good faith and fair dealing, unjust enrichment, conversion, and usury. Each of these counts is related to BankAtlantic s collection of overdraft fees. The Complaint alleges that BankAtlantic failed to adequately warn its customers about overdrafts, failed to give its customers the ability to opt out of an automatic overdraft protection program and improperly manipulated debit card transactions. The Plaintiffs seek to represent three classes of BankAtlantic customers in the State of Florida who were assessed overdraft fees. The Company believes the claims to be without merit and intends to vigorously defend the action.

In the ordinary course of business, the Company and its subsidiaries are also parties to lawsuits as plaintiff or defendant involving its bank operations, lending, and tax certificates activities. Although the Company believes it has meritorious defenses in the pending legal actions and that the outcomes of these pending legal matters should not materially impact us, the ultimate outcomes of these matters are uncertain.

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ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s Class A common stock is traded on the New York Stock Exchange under the symbol BBX . BFC Financial Corporation (BFC) is the sole holder of the Company s Class B common stock and there is no trading market for the Company s Class B common stock. The Class B common stock may only be owned by BFC or its affiliates and is convertible into Class A common stock on a share for share basis.

On September 26, 2008, the Company completed a one-for-five reverse stock split. Where appropriate, amounts throughout this document have been adjusted to reflect this reverse stock split.

On March 11, 2010, there were approximately 621 record holders and 48,264,842 shares of the Class A common stock issued and outstanding. In addition, there were 975,225 shares of Class B common stock outstanding at March 11, 2010.

The following table sets forth, for the periods indicated, the high and low sale prices of the Class A common stock as reported by the New York Stock Exchange:

	Class A Common Stock Price	
	High	**Low**
For the year ended December 31, 2009	$ 6.68	$ 0.66
Fourth quarter	2.96	1.20
Third quarter	6.68	2.60
Second quarter	4.75	1.99
First quarter	5.67	0.66
For the year ended December 31, 2008	$ 29.00	$ 2.25
Fourth quarter	11.82	2.25
Third quarter	15.00	4.05
Second quarter	20.75	7.80
First quarter	29.00	16.30

Because the Company s Class A common stock is listed on the New York Stock Exchange, the Company s Chief Executive Officer is required to make, and he has made, an annual certification to the New York Stock Exchange stating that he was not aware of any violation by the Company of the corporate governance listing standards of the New York Stock Exchange. The Company s chief executive officer made his annual certification to that effect to the New York Stock Exchange on May 22, 2009. In addition, the Company has filed, as exhibits to this Annual Report on Form 10-K, the certifications of the Company s principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the Company s public disclosure.

The Company had declared regular quarterly cash dividends on its common stock through January 2009. In February 2009, the Company elected to exercise its right to defer payments of interest on its trust preferred junior subordinated debt. The Company is permitted to defer quarterly interest payments for up to 20 consecutive quarters. During the deferral period, the Company will not pay dividends to its common shareholders. The Company can end the deferral period at any time by paying all accrued and unpaid interest. The availability of funds for cash dividend payments on the Company s common stock depends upon BankAtlantic s ability to pay cash dividends to the Company. Current regulations applicable to the

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payment of cash dividends by savings institutions limit capital distributions based on an institution s regulatory capital levels, retained net income and net income. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions. The Company does not expect to receive dividend payments from BankAtlantic for the foreseeable future due to BankAtlantic s recent net losses.

The cash dividends paid by the Company were as follows:

	Cash Dividends Per Share of Class B Common Stock	Cash Dividends Per Share of Class A Common Stock
Fiscal year ended December 31, 2009	$ 0.0250	$ 0.0250
Fourth quarter	0.0000	0.0000
Third quarter	0.0000	0.0000
Second quarter	0.0000	0.0000
First quarter	0.0250	0.0250
Fiscal year ended December 31, 2008	$ 0.0750	$ 0.0750
Fourth quarter	0.0000	0.0000
Third quarter	0.0250	0.0250
Second quarter	0.0250	0.0250
First quarter	0.0250	0.0250

On August 28, 2009, the Company distributed to each record holder of its Class A common stock and Class B common stock as of August 24, 2009 non-transferable subscription rights to purchase 4.441 shares of its Class A common stock for each share of Class A and Class B common stock owned on that date. The subscription price was $2.00 per share and the Company completed the rights offering on September 29, 2009 and issued 37,980,936 shares of its Class A common stock to exercising shareholders. The net proceeds from this rights offering were $75.5 million, net of offering costs. The Company used the net proceeds to contribute $75 million of capital to BankAtlantic.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	For the Years Ended December 31,				
(In thousands except share and per share data)	2009	2008	2007	2006	2005
Income Statement					
Total interest income	$ 223,593	314,516	371,633	367,177	345,894
Total interest expense	75,231	140,685	192,857	167,057	141,909
Net interest income	148,362	173,831	178,776	200,120	203,985
Provision for (recovery from) loan losses	232,658	159,801	70,842	8,574	(6,615)
Securities activities, net	11,180	2,039	8,412	9,813	847
Other non-interest income	118,641	135,525	143,420	132,803	101,452
Restructuring charges, impairments and exit activities	29,920	59,551	20,890	1,466	3,706
Other non-interest expense	236,844	278,798	296,460	298,720	243,264
(Loss) income from continuing operations before income taxes	(221,239)	(186,755)	(57,584)	33,976	65,929
Provision (benefit) for income taxes	(31,719)	32,489	(27,572)	7,097	23,403
(Loss) income from continuing operations	(189,520)	(219,244)	(30,012)	26,879	42,526
Discontinued operations, net of tax (5)	3,701	16,605	7,812	(11,492)	16,656
Net (loss) income	$ (185,819)	(202,639)	(22,200)	15,387	59,182
Performance ratios					
Return on average assets (1)	(3.60)	(3.50)	(0.47)	0.42	0.64
Return on average equity (1)	(92.44)	(51.03)	(5.91)	5.12	8.42
Average equity to average assets	3.90	6.86	7.91	8.19	7.65
Dividend payout ratio (2)	(0.15)	(0.38)	(24.79)	36.01	20.83

	For the Years Ended December 31,				
(In thousands except share and per share data)	2009	2008	2007	2006	2005
Diluted earnings per share					
Diluted (loss) earnings from continuing operations	$ (8.02)	(14.54)	(1.93)	1.61	2.53
Diluted earnings (loss) per share from discontinued operations (5)	0.15	1.10	0.51	(0.69)	0.94
Diluted (loss) earnings per share	$ (7.87)	(13.44)	(1.42)	0.92	3.47
Per common share data					
Cash dividends declared per common share Class A	$ 0.025	0.075	0.640	0.790	0.730
Cash dividends declared per common share Class B	0.025	0.075	0.640	0.790	0.730
Book value per share (3)	2.88	21.72	40.96	43.01	42.49

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(In thousands except share and per share data)		As of December 31, 2009	2008	2007	2006	2005
Balance Sheet (at year end)						
Loans, net	$	3,694,326	4,326,651	4,524,188	4,595,920	4,624,772
Securities		433,318	948,592	1,169,673	1,059,111	1,042,217
Total assets		4,815,617	5,814,557	6,378,817	6,495,662	6,471,411
Deposits		3,969,680	3,919,796	3,953,405	3,867,036	3,752,676
Securities sold under agreements to repurchase and other short term borrowings		27,271	284,423	167,240	133,958	255,501
Other borrowings (4)		613,043	1,284,087	1,717,893	1,810,247	1,724,160
Stockholders equity		141,571	243,968	459,321	524,982	516,336
Asset quality ratios for BankAtlantic						
Non-performing assets, net of reserves, as a percent of total loans, tax certificates and repossessed assets	%	9.39	6.55	4.10	0.55	0.17
Loan loss allowance as a percent of non-performing loans		56.56	47.76	52.65	982.89	605.68
Loan loss allowance as a percent of total loans		4.83	3.07	2.04	0.94	0.88
Capital ratios for BankAtlantic:						
Total risk based capital	%	12.56	11.63	11.63	12.08	11.50
Tier I risk based capital		10.63	9.80	9.85	10.50	10.02
Leverage		7.58	6.80	6.94	7.55	7.42

1. The return on average assets is equal to income (loss) from continuing operations (numerator) divided by average consolidated assets (denominator) during the respective year. The return on average equity is equal to income (loss) from continuing operations (numerator) divided by average consolidated equity (denominator) during the respective year. Income (loss) from continuing operations excludes the income from Ryan Beck Holdings, Inc. for all periods presented.

While income (loss) from continuing operations (numerator) excludes income from these discontinued operations, average consolidated assets includes the assets of the discontinued operations.

2. Cash dividends declared on common shares divided by income from continuing operations.

3. The denominator of book value per share was computed by combining the number of Class A and Class B shares outstanding at year end for all periods.

4. Other borrowings consist of FHLB advances, subordinated debentures, notes, bonds payable, secured borrowings, and junior subordinated debentures. Loans under loan participation agreements that constituted a legal sale of a portion of the loan but that were not qualified to be accounted for as a loan sale are recorded as secured borrowings.

5.

Discontinued operations include the earnings of Ryan Beck for each of the years in the three year period ending December 31, 2007.

6. During the year ended December 31, 2009, the Company recognized a tax benefit associated with the enactment of tax legislation that increased the 2009 net operating loss carry-back period from two years to five years. During the year ended December 31, 2009 and 2008, the Company recorded a deferred tax valuation allowance for its entire net deferred tax asset.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Introduction

BankAtlantic Bancorp, Inc. is a Florida-based financial services holding company offering a full range of products and services through BankAtlantic, our wholly-owned banking subsidiary. As of December 31, 2009, we had total consolidated assets of approximately $4.8 billion, deposits of approximately $4.0 billion and shareholders equity of approximately $141.6 million. We operate through two primary business segments: BankAtlantic and the Parent Company.

On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence of the sale of Ryan Beck to Stifel, the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s Consolidated Financial Statements for the year ended December 31, 2007.

Consolidated Results of Operations

Loss from continuing operations from each of the Company s reportable business segments follows (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
BankAtlantic	$ (148,708)	(166,144)	(19,440)
Parent Co.	(40,812)	(53,100)	(10,572)
Net loss	$ (189,520)	(219,244)	(30,012)

The lower loss from continuing operations at BankAtlantic during 2009 compared to the same 2008 period primarily resulted from BankAtlantic recognizing a $31.7 million income tax benefit during 2009 in connection with a change in tax regulations which enabled BankAtlantic to utilize additional net operating losses, while during 2008, BankAtlantic established a deferred tax valuation allowance on its entire amount of net deferred tax assets resulting in a tax provision of $31.1 million. BankAtlantic s 2009 loss before income taxes increased by $45.4 million compared to 2008. The higher 2009 loss primarily resulted from a $78.9 million increase in the provision for loan losses, a $30.3 million reduction in net interest income and $8.0 million of lower non-interest income. The increase in BankAtlantic s loss before income taxes was partially offset by $71.8 million of lower non-interest expenses.

The substantial increase in the provision for loan losses resulted primarily from a significant increase in charge-offs and loan loss reserves in our consumer, residential and commercial real estate loan portfolios. These portfolios continued to be negatively affected by the current adverse economic environment, especially declining collateral values and rising unemployment. If economic and real estate market conditions do not improve, we believe that additional provisions for loan losses may be required in future periods.

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The reduction in BankAtlantic s net interest income was primarily due to a decline in earning assets. BankAtlantic reduced its assets in order to improve its liquidity and regulatory capital ratios. BankAtlantic s average earnings assets declined by $790.6 million during 2009 compared to 2008.

The reduction in non-interest income primarily relates to a decline in overdraft fees. Overdraft fees represented approximately 54% of our non-interest income during 2009. This overdraft fee income decline reflects, in part, management s focus on targeting retail customers and businesses that maintain higher average deposit balances which generally will result in fewer overdrafts per account. We believe that this trend of declining overdraft fees will continue and could be accelerated by recent overdraft rules adopted by the Federal Reserve effective July 1, 2010. Congress has also proposed additional legislation to further limit the assessment of overdraft fees. These events could significantly reduce our overdraft fee income in subsequent periods.

In response to adverse economic conditions, BankAtlantic during 2009 continued to reduce expenses with a view towards increasing operating efficiencies. These operating expense initiatives included workforce reductions, consolidation of certain back-office facilities, renegotiation of vendor contracts, outsourcing of certain back-office functions, reduction in marketing expenses and other targeted expense reductions. Also, restructuring charges and other impairments declined by $33.0 million. These expense reductions were partially offset by $8.2 million of additional FDIC insurance premiums, including a $2.4 million FDIC special assessment in June 2009.

The significant decline in BankAtlantic s performance during the year ended December 31, 2008 compared to the same 2007 period primarily resulted from a $48.3 million goodwill impairment charge, the establishment of a $66.9 million deferred tax valuation allowance, a $64.5 million increase in the provision for loan losses and a decline in non-interest income. These items were partially offset by lower non-interest expenses, excluding the goodwill impairment charge. The substantial increase in BankAtlantic s provision for loan losses for 2008 compared to 2007 reflects net charge-offs for 2008 of $97.4 million compared to $20.4 million for 2007 and a $31.6 million increase in the allowance for loan losses during 2008. The charge-offs and loan reserve increases were primarily related to commercial real estate and consumer loans. The decline in BankAtlantic s non-interest income was primarily due to lower net assessments of overdraft fees. BankAtlantic non-interest expenses, excluding the goodwill impairment charge, declined by $31.6 million primarily due to management s expense reduction initiatives.

The decrease in the Parent Company segment loss during 2009 compared to 2008 reflects a $6.0 million reduction in the provision for loan losses and $4.9 million of reduced net interest expense. The provision for loan losses for both years was associated with non-performing loans acquired from BankAtlantic in March 2008. The 2009 provision for loan losses represents additional charge-offs and specific reserves associated with these loans due to declining real estate collateral values. The improvement in net interest expense reflects historically low LIBOR interest rates during 2009. The majority of the Parent Company s debt is indexed to the three-month LIBOR interest rate. The decline in interest rates was partially offset by interest accrued on the junior subordinated debentures deferred interest. Parent Company operating expenses were higher by $0.3 million during 2009 compared to 2008. Lower property management costs associated with non-performing loans during 2009 were offset by higher compensation expenses.

The increase in the Parent Company segment loss during 2008 compared to 2007 reflects a provision for loan losses of $24.4 million as well as the establishment of a $20.9 million deferred tax valuation allowance. The Parent Company had no provision for loan losses during the comparable 2007 period as it held no loans during that period. Additionally, gains from securities activities declined from $6.1 million during 2007 to a loss of $0.4 million during 2008 as the Parent Company liquidated its managed fund investment portfolio and sold its entire investment in Stifel securities acquired by it in connection with the 2007 sale of Ryan Beck. Parent Company operating expenses were higher by $4.5 million during 2008 compared to 2007. The increase reflects property management costs associated with non-performing loans and an increase in professional fees in 2008 compared to 2007.

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During 2009 and 2008, the Parent Company recognized in discontinued operations $3.7 million and $16.6 million, respectively, of additional proceeds from the sale of Ryan Beck in connection with contingent earn-out payments under the Ryan Beck merger agreement with Stifel. Included in discontinued operations during 2007 relating to the Ryan Beck segment was income of $7.8 million. Ryan Beck s 2007 segment income reflects a $16.4 million gain from the sale of Ryan Beck to Stifel partially offset by an $8.6 million loss from operations during the two months ended February 28, 2007, the closing date of the sale to Stifel.

BankAtlantic Results of Operations

Summary

The following events over the past several years have had a significant impact on BankAtlantic s results of operations:

In April 2002, BankAtlantic launched its *Florida s Most Convenient Bank* initiative which resulted in significant demand deposit, NOW checking and savings account growth (we refer to these accounts as core deposit accounts). Since inception of this campaign, BankAtlantic has increased core deposit balances from $600 million at December 31, 2001 to approximately $2.7 billion at December 31, 2009. These core deposits represented 67% of BankAtlantic s total deposits at December 31, 2009, compared to 26% of total deposits at December 31, 2001.

In 2004, BankAtlantic announced its de novo store expansion strategy and had opened 32 stores as of December 31, 2009 in connection with this strategy. BankAtlantic s non-interest expenses substantially increased as a result of the hiring of additional personnel, increased marketing to support new stores, increased leasing and operating costs for the new stores and expenditures for back-office technologies to support a larger institution.

During the fourth quarter of 2005, the growth in core deposits slowed reflecting rising short-term interest rates and increased competition among financial institutions. In response to these market conditions, BankAtlantic significantly increased its marketing expenditures and continued its new store expansion program in an effort to sustain core deposit growth. The number of new core deposit accounts opened increased from 226,000 during 2005 to 270,000 during 2006, while core deposit balances grew to $2.2 billion at December 31, 2006 from $2.1 billion at December 31, 2005. In response to adverse economic conditions and the slowed deposit growth, BankAtlantic significantly reduced its marketing expenditures beginning during the fourth quarter of 2006 as part of an overall effort to reduce its non-interest expenses.

During the latter half of 2007, the real estate markets deteriorated rapidly throughout the United States, and particularly in Florida where BankAtlantic s commercial and consumer real estate loans are concentrated. In response to these market conditions, BankAtlantic significantly increased its allowance for loan losses for commercial loans collateralized by real estate property and to a lesser extent home equity consumer loans.

During the fourth quarter of 2007, the decision was made to delay BankAtlantic s retail network expansion, consolidate certain back-office facilities and implement other initiatives to reduce non-interest expenses.

As economic conditions deteriorated in late 2007 and 2008, real estate property values continued to decline. The adverse economic and real estate market conditions severely impacted the credit quality of BankAtlantic s loan portfolio. In March 2008, the Parent Company purchased $101.5 million of non-performing loans from BankAtlantic and during the year contributed $65 million of capital to BankAtlantic. During the fourth quarter of 2008, financial and credit markets further experienced rapid

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deterioration, investor confidence in financial institutions was significantly and adversely affected and the market capitalization of BankAtlantic Bancorp s Class A common stock declined materially. As BankAtlantic s non-performing loans increased, additional loan loss reserves were established, impairments of long-lived assets were recognized and earnings were adversely affected. As a consequence of the substantial losses during 2007 and 2008, the deterioration in the price of the Company s Class A common stock and the unprecedented economic and market uncertainty, BankAtlantic recognized a $48.3 million non-cash goodwill impairment charge and established $66.9 million non-cash deferred tax valuation allowance.

During 2009, in response to the continued deteriorating economic conditions including falling real estate collateral values and rising unemployment, and the significant adverse impact on the credit quality of our assets and our results of operations, BankAtlantic reduced its assets, repaid its wholesale borrowings and increased core deposits with a view towards strengthening its liquidity and regulatory capital ratios. However, the credit quality of its loans continued to deteriorate in 2009, and BankAtlantic s losses increased. As a result, BankAtlantic Bancorp, Inc. contributed an additional $105 million of capital to BankAtlantic. Additionally, as a consequence of the adverse economic environment, an additional $22.5 million of restructuring charges and asset impairments were recognized during 2009.

The following table is a condensed income statement summarizing BankAtlantic s results of operations (in thousands):

	For the Years Ended Ended December 31,			Change 2009 vs	Change 2008 vs
	2009	2008	2007	2008	2007
Net interest income	$ 163,324	193,648	199,510	(30,324)	(5,862)
Provision for loan losses	(214,244)	(135,383)	(70,842)	(78,861)	(64,541)
Net interest income (loss) after provision for loan losses	(50,920)	58,265	128,668	(109,185)	(70,403)
Non-interest income	129,292	137,308	144,412	(8,016)	(7,104)
Non-interest expense	(258,799)	(330,623)	(313,898)	71,824	(16,725)
BankAtlantic (loss) income before income taxes	(180,427)	(135,050)	(40,818)	(45,377)	(94,232)
Benefit/(provision) for income taxes	31,719	(31,094)	21,378	62,813	(52,472)
BankAtlantic net loss	$ (148,708)	(166,144)	(19,440)	17,436	(146,704)

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BankAtlantic s Net Interest Income

The following table summarizes net interest income:

	For the Years Ended								
	December 31, 2009			December 31, 2008			December 31, 2007		
(Dollars are in thousands)	**Average**	**Revenue/**	**Yield/**	**Average**	**Revenue/**	**Yield/**	**Average**	**Revenue/**	**Yield/**
Interest earning assets	**Balance**	**Expense**	**Rate**	**Balance**	**Expense**	**Rate**	**Balance**	**Expense**	**Rate**
Loans: (a)									
Residential real estate	$ 1,758,188	89,836	5.11	2,053,645	111,691	5.44	2,209,832	120,768	5.47
Commercial real estate	1,204,005	46,746	3.88	1,238,307	69,642	5.62	1,367,095	108,931	7.97
Consumer	723,135	21,104	2.92	743,863	33,950	4.56	650,764	47,625	7.32
Commercial business	143,224	7,461	5.21	132,565	9,516	7.18	142,455	12,720	8.93
Small business	316,328	20,010	6.33	320,853	22,162	6.91	298,774	23,954	8.02
Total loans	4,144,880	185,157	4.47	4,489,233	246,961	5.50	4,668,920	313,998	6.73
Tax exempt securities							328,583	19,272	5.87
Taxable investment securities (b)	661,216	37,857	5.73	1,078,189	65,570	6.08	689,263	42,849	6.22
Federal funds sold	14,760	33	0.22	44,031	754	1.71	3,638	195	5.36
Total investment securities	675,976	37,890	5.61	1,122,220	66,324	5.91	1,021,484	62,316	6.10
Total interest earning assets	4,820,856	223,047	4.63	5,611,453	313,285	5.58	5,690,404	376,314	6.61
Total non-interest earning assets	365,257			503,028			510,173		
Total assets	**$ 5,186,113**			**6,114,481**			**6,200,577**		
Interest bearing liabilities									
Deposits:									
Savings	$ 436,169	1,612	0.37	503,464	4,994	0.99	584,542	12,559	2.15
NOW, money funds and checking	1,589,340	9,961	0.63	1,506,479	17,784	1.18	1,450,960	26,031	1.79
Certificate accounts	1,192,012	30,311	2.54	1,088,170	41,485	3.81	992,043	45,886	4.63
Total interest bearing deposits	3,217,521	41,884	1.30	3,098,113	64,263	2.07	3,027,545	84,476	2.79
Securities sold under agreements to repurchase and federal funds purchased	108,248	237	0.22	141,654	2,699	1.91	194,222	9,829	5.06
Advances from FHLB	553,146	16,522	2.99	1,417,718	50,942	3.59	1,379,106	73,256	5.31
Subordinated debentures and notes payable	22,757	1,080	4.75	26,004	1,733	6.66	28,946	2,498	8.63
	3,901,672	59,723	1.53	4,683,489	119,637	2.55	4,629,819	170,059	3.67

Total interest bearing liabilities									
Non-interest bearing liabilities									
Demand deposit and escrow accounts	809,900			828,825			946,356		
Other liabilities	62,343			50,584			55,683		
Total non-interest bearing liabilities	872,243			879,409			1,002,039		
Stockholders equity	412,198			551,583			568,719		
Total liabilities and stockholder s equity	**$ 5,186,113**			**6,114,481**			**6,200,577**		
Net interest income/net interest spread		163,324	3.10%		193,648	3.03%		206,255	2.94%
Tax equivalent adjustment (c)								(6,745)	
Net interest income		163,324			193,648			199,510	
Margin									
Interest income/interest earning assets	%		4.63			5.58			6.61
Interest expense/interest earning assets			1.24			2.13			2.99
Tax equivalent net interest margin	%		3.39			3.45			3.62

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(a) Includes non-accruing loans, and as such, the average yield on loans reflects the impact of these non-interest earning assets.

(b) Average balances were based on amortized cost.

(c) The tax equivalent basis is computed using a 35% tax rate.

For the Year Ended December 31, 2009 Compared to the Same 2008 Period

The decrease in net interest income primarily resulted from a significant reduction in earning assets and an increase in non-performing assets partially offset by an improvement in the net interest spread.

The decline in average earning assets reflects a management decision to slow the origination and purchase of loans, sell agency securities and reduce the purchase of tax certificates in an effort to enhance liquidity and improve regulatory capital ratios. During 2009, BankAtlantic slowed the origination of commercial and consumer loans and ceased the purchase of jumbo residential loan portfolios. BankAtlantic concentrated its loan originations in small business and middle market loans. As a consequence, average loans during 2009 declined by $344.4 million compared to 2008 with $295.5 million of the average loan decline associated with the purchased residential loan portfolio. BankAtlantic experienced significant residential loan repayments due to the large volume of loan refinancings associated with historically low residential mortgage interest rates during 2009. Taxable investment securities primarily consisted of agency mortgage-backed securities and tax certificates. During 2009, BankAtlantic reduced the purchase of tax certificates from $368.4 million during 2008 to $65.7 million during 2009 and sold $284 million of mortgage-backed securities.

The net interest spread improved due to a change in our funding mix. BankAtlantic used the funds from deposit growth and the reduction in assets to repay FHLB advances and short term wholesale borrowings. BankAtlantic repaid $760 million of FHLB advances during 2009 with an average interest rate of 3.37%. As a consequence, BankAtlantic s funding mix changed from higher rate FHLB advances to lower rate deposits. The interest earning asset yield declines were primarily due to lower interest rates during 2009 compared to 2008, changes in the earning asset portfolio mix and a significant increase in non-performing loans. The lower interest rate environment during 2009 compared to 2008 had a significant impact on commercial, small business and consumer loan yields, as a majority of these loans have adjustable interest rates indexed to prime or LIBOR. The average prime interest rate declined from 8.05% at December 31, 2007 to 3.25% at December 31, 2009, and the average three-month LIBOR interest rate declined from 5.30% at December 31, 2007 to 0.69% at December 31, 2009. Additionally, average earning loan yields were adversely affected by a significant increase in non-performing loans. Non-performing loans were $178.6 million at December 31, 2007 compared to $286.1 million at December 31, 2009.

The decline in interest bearing deposit rates reflects the lower interest rate environment and an increase in NOW deposit accounts. The higher NOW accounts reflects a migration of retail time deposits to NOW accounts as we believe the interest rates on NOW accounts were competitive with time deposits for a significant portion of 2009. The increase in certificate accounts reflects higher average brokered deposit account balances during 2009 compared to 2008. Deposits which BankAtlantic receives in connection with its participation in the CDARS program from other participating CDARS institutions are included in BankAtlantic s financial statements as brokered deposits. Average brokered deposits increased from $81.5 million during 2008 to $189.5 million during 2009, of which approximately 45% of average brokered deposits during 2009 consisted of CDARS related deposits.

Management believes that the historically low interest rates during 2009 had a favorable impact on our net interest margin. Conversely, increases in interest rates or continued reductions in earning assets may result in further declines in our net interest margin.

For the Year Ended December 31, 2008 Compared to the Same 2007 Period

The decrease in tax equivalent net interest income primarily resulted from a 17 basis point decline in the net interest margin and secondarily from a shift in the deposit mix resulting in lower non-interest bearing liabilities balances.

The decline in the tax equivalent net interest margin primarily resulted from a decline in average non-interest bearing demand deposit balances partially offset by an improvement in the tax equivalent net interest spread. The increase in the tax equivalent net interest spread primarily resulted from rates on interest-bearing liabilities adjusting to the decline in short-term interest rates faster than interest-earning asset yields. The majority of our loans adjust to LIBOR or prime interest rates indices. The average prime interest rate declined from 8.05% during the year ended December 31, 2007 to 5.30% during the 2008 year and the average three-month LIBOR rate declined from 5.04% during the 2007 year to 2.92% during the 2008 year. The majority of interest-bearing liabilities adjust to current market rates faster than a significant portion of our assets, which includes residential loans and mortgage-backed securities that only adjust periodically to current market rates. The additional net interest income associated with the improvement of the net interest spread was partially offset by average interest bearing liabilities increasing while average interest-earning assets declined. Average interest earning assets were $79.0 million lower, and while overall average interest-bearing liabilities were $53.7 million higher, non-interest bearing demand deposit accounts were $117.5 million lower. The decline in average non-interest bearing demand deposit accounts reflected the competitive banking environment in Florida during 2008 and the migration of demand deposit accounts to interest-bearing NOW accounts.

Interest income on earning assets declined $63.0 million during 2008 as compared to 2007. The decline was primarily due to the impact that lower interest rates during 2008 had on our average yields for consumer, commercial and small business loans. Residential loan yields during 2008 remained at 2007 levels as the majority of our residential loans do not adjust annually and prepayment speeds slowed, in part we believe, due to borrowers inability to refinance existing loans at the current lower interest rates. The decline in taxable securities yields mainly resulted from the liquidation of our tax exempt securities portfolio during the fourth quarter of 2007 and suspension by the FHLB of its stock dividend during the third quarter of 2008.

In response to the slowing economy and declining real estate market, we slowed the origination of commercial real estate loans and the purchase of residential loans during 2008. As a consequence, average balances in our residential and commercial real estate loan portfolios declined from $3.6 billion during 2007 to $3.3 billion during 2008. These declines in loan balances were partially offset by an increase in our taxable securities, and small business loan and consumer home equity loan average balances. Aggregate average balances in our consumer home equity and small business loan portfolios increased due primarily to funding on existing lines of credit for home equity loans and from the origination of small business loans. The higher average taxable securities balances reflects a $57.5 million increase in tax certificate average balances as 2008 tax certificate acquisitions were higher than 2007 acquisitions.

The decline in deposit rates primarily resulted from the lower interest rate environment during 2008 compared to 2007. The decline in interest rates generally was offset in part by a shift in deposit mix from demand deposit accounts to NOW accounts and from savings to certificate accounts. The decline in savings account average balances reflects outflows of high yield savings accounts as certain competitors offered higher interest rates. The migration from demand deposit accounts to NOW accounts primarily resulted from a high yield checking account that we promoted during 2008. The increase in certificates accounts reflects higher average brokered deposit account balances as well as high yield certificate account promotions during 2008. Brokered deposits increased from $14.7 million at December 31, 2007 to $239.9 million at December 31, 2008.

Rates on wholesale borrowings during 2008 were significantly lower than 2007 reflecting a significant decline in the federal funds rates during 2008. The average federal funds rate declined from 5.04% during 2007 to 2.09% during 2008. Additionally, we were able to borrow at historically low interest rates

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rates due to programs implemented by the Treasury to stimulate the economy through increased funding to financial institutions.

In order to improve the net interest margin and lower borrowing costs in subsequent periods, BankAtlantic prepaid $692 million of FHLB advances during the fourth quarter of 2008. BankAtlantic funded the advance repayments with short term borrowings that were at significantly lower interest rates than the repaid advances.

The following table summarizes the changes in tax equivalent net interest income (in thousands):

	Year Ended December 31, 2009 Compared to Year Ended December 31, 2008			Year Ended December 31, 2008 Compared to Year Ended December 31, 2007		
	Volume (a)	Rate	Total	Volume (a)	Rate	Total
Increase (decrease) due to:						
Loans	$ (15,383)	(46,421)	(61,804)	(9,885)	(57,152)	(67,037)
Tax exempt securities					(19,272)	(19,272)
Taxable investment securities (b)	(23,872)	(3,841)	(27,713)	23,652	(931)	22,721
Federal funds sold	(65)	(656)	(721)	692	(133)	559
Total earning assets	(39,320)	(50,918)	(90,238)	14,459	(77,488)	(63,029)
Deposits:						
Savings	(249)	(3,133)	(3,382)	(804)	(6,761)	(7,565)
NOW, money funds, and checking	519	(8,342)	(7,823)	655	(8,902)	(8,247)
Certificate accounts	2,641	(13,815)	(11,174)	3,665	(8,066)	(4,401)
Total deposits	2,911	(25,290)	(22,379)	3,516	(23,729)	(20,213)
Securities sold under agreements to repurchase	(73)	(2,389)	(2,462)	(1,002)	(6,128)	(7,130)
Advances from FHLB	(25,824)	(8,596)	(34,420)	1,387	(23,701)	(22,314)
Subordinated debentures	(154)	(499)	(653)	(196)	(569)	(765)
	(26,051)	(11,484)	(37,535)	189	(30,398)	(30,209)
Total interest bearing liabilities	(23,140)	(36,774)	(59,914)	3,705	(54,127)	(50,422)
Change in tax equivalent interest income	$ (16,180)	(14,144)	(30,324)	10,754	(23,361)	(12,607)

(a) Changes attributable to rate/volume have been allocated to

volume.

(b) Average balances were based on amortized cost.

The decline in net interest income during 2009 was primarily due to the decline in average earning assets and secondarily due to the decline in average yields on earning assets. Average earning assets declined by $790.6 million, reducing net income by $39.3 million. Average interest-bearing liabilities declined by $781.8 million, reducing interest expense by $23.1 million. The lower yields on total earning assets reduced interest income by $50.9 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $36.8 million. As discussed above, the lower yields on interest earning assets reflect the effect on our loan portfolio interest income of the significant decline during 2009 of LIBOR and prime interest rate indices.

The decline in tax equivalent net interest income during 2008 was largely due to yields on interest earning assets declining faster than interest rates on interest-bearing liabilities. The lower yields on total earning assets reduced interest income by $77.5 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $54.1 million. As discussed above, the lower yields on interest earning assets reflect the effect on our loan portfolio interest income of the significant decline during 2008 of LIBOR and prime interest rate indices. The decline in federal funds rates and the programs implemented by the Treasury to promote lending by financial institutions significantly lowered wholesale borrowing interest rates. However, interest rate declines on our deposits were less than our earning asset yield declines as interest rates on our low cost deposits are not as sensitive to interest rate changes as our loan portfolio rates. Further competition from other financial institutions resulted in only a gradual decline in certificate account interest rates.

BankAtlantic s Asset Quality

Changes in the allowance for loan losses were as follows (in thousands):

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
Balance, beginning of period	$ 125,572	94,020	43,602	41,192	46,010
Charge-offs:					
Commercial business loans	(516)				
Commercial real estate loans	(96,300)	(60,057)	(12,562)	(7,000)	
Small business	(9,105)	(4,886)	(2,554)	(951)	(764)
Consumer loans	(40,223)	(28,942)	(7,065)	(681)	(259)
Residential real estate loans	(23,264)	(4,816)	(461)	(239)	(453)
Continuing loan products	(169,408)	(98,701)	(22,642)	(8,871)	(1,476)
Discontinued loan products	(13)			(34)	(1,218)
Total charge-offs	(169,421)	(98,701)	(22,642)	(8,905)	(2,694)
Recoveries:					
Commercial business loans	492	7	96	291	18
Commercial real estate loans	700		304	419	1,471
Small business	494	428	417	566	899

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
Consumer loans	561	365	578	536	401
Residential real estate loans	912	397	15	348	65
Continuing loan products	3,159	1,197	1,410	2,160	2,854
Discontinued loan products	34	113	808	581	1,637
Total recoveries	3,193	1,310	2,218	2,741	4,491
Net (charge-offs) recoveries	(166,228)	(97,391)	(20,424)	(6,164)	1,797
Provision for (recovery from) loan losses	214,244	135,383	70,842	8,574	(6,615)
Transfer specific reserves to Parent Company		(6,440)			
Balance, end of period	$ 173,588	125,572	94,020	43,602	41,192

The year-over-year increases in the provision for loan losses and charge-offs for 2007, 2008 and 2009 compared to the prior periods resulted primarily from the rapid decline in real estate values nationally and in Florida, the substantial downturn in the homebuilding industry and the deteriorating economic environment that began in 2007. BankAtlantic has a high concentration of commercial borrowers in the homebuilding industry and the majority of its residential and consumer home equity loans are to retail customers. The ability of these retail customers to repay their loans is adversely affected by rising unemployment rates. In December 2009, the national unemployment rate rose to 10% and the Florida unemployment rate more than doubled from 4.1% at December 31, 2007 to 7.6% at December 31, 2008 to 11.8% at December 31, 2009. Rising national unemployment has resulted in higher delinquencies and foreclosures on residential real estate loans, including the jumbo residential loans which comprise the majority of our residential loan portfolio. We believe rising unemployment and declining property values have resulted in higher credit losses. The declines in the value of real estate, which initially involved primarily residential real estate but are now being experienced in the commercial non-residential real estate markets, have exacerbated our credit losses as the underlying collateral values of our loans have continued to decline throughout the three year period. The recession, falling real estate values and high unemployment are adversely affecting residential and commercial non-residential real estate markets. BankAtlantic believes that its commercial borrowers are experiencing difficulties selling real estate inventory and maintaining current cash flow levels on rental real estate properties. We believe that if real estate and general economic conditions and unemployment trends in Florida do not improve, the credit quality of our loan portfolio will continue to deteriorate and we would expect an increase in loan delinquencies and non-accrual loan balances as well as additional provisions for loan losses in future periods. Additionally, if jumbo residential loan delinquencies and foreclosures continue to increase nationwide, additional provisions for losses in our residential loan portfolio may be required.

We continued to incur losses in our commercial residential real estate and consumer home equity loan portfolios. We also began experiencing higher losses during 2009 in our commercial non-residential, residential and small business loan portfolios as the deteriorating economic environment has adversely impacted these borrowers. In response to these trends, we have significantly reduced purchases of residential loans and tightened consumer home equity loan underwriting requirements for new loans and froze certain borrowers home equity loan commitments where borrowers current credit scores were significantly lower than at the date of loan origination or where current collateral values were substantially lower than at loan origination.

We believe that the increase in charge-offs trends of commercial real estate, consumer home equity and residential loans during the three year period ending December 31, 2009 primarily reflects the significant increase in unemployment and declining real estate values. The significant increase in commercial real estate loan charge-offs

primarily resulted from our commercial residential development

loans and secondarily from our commercial non-residential real estate loans. The majority of the commercial residential development loan charge-offs during 2009 were from updated loan collateral fair value estimates reflecting the continued deterioration in the Florida residential real estate market. We are hopeful that charge-offs and non-performing commercial residential loans may have peaked and may decline in future periods due to significant reductions in outstanding balances from December 2008 to December 2009; however, this may not be the case and there is no assurance that we will not experience the same or higher levels of charge-offs and non-accrual loans in this category. With respect to commercial nonresidential loans we expect that charge-offs in commercial non-residential loans may escalate if market conditions do not improve or deteriorate further. The increasing levels of small business charge-offs during the three year period ended December 31, 2009, we believe, reflects the deteriorating financial condition of our borrowers businesses caused, in part, by reduced consumer spending and the depressed real estate industry.

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At the indicated dates, BankAtlantic s non-performing assets and potential problem loans (contractually past due 90 days or more, performing impaired loans or troubled debt restructured loans) were (in thousands):

	December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
NONPERFORMING ASSETS					
Tax certificates	$ 2,161	1,441	2,094	632	388
Residential real estate (1)	76,401	34,734	8,678	2,629	5,981
Commercial real estate (2)	167,867	161,947	165,818		340
Commercial business	18,063				
Small business	9,338	4,644	877	244	9
Consumer	14,451	6,763	3,218	1,563	471
Total non-accrual assets (3)	288,281	209,529	180,685	5,068	7,189
Residential real estate owned	9,607	2,285	413	617	86
Commercial real estate owned	25,442	16,500	16,763	21,130	881
Small business real estate owned	580	260			
Consumer real estate owned	306		40		
Other repossessed assets	10				
Total repossessed assets	35,945	19,045	17,216	21,747	967
Total nonperforming assets	$ 324,226	228,574	197,901	26,815	8,156
Total nonperforming assets as a percentage of:					
Total assets	6.82	4.00	3.21	0.43	0.13
Loans, tax certificates and real estate owned	8.13	4.95	4.10	0.55	0.17
TOTAL ASSETS	$ 4,755,122	5,713,690	6,161,962	6,187,122	6,109,330

TOTAL LOANS, TAX CERTIFICATES AND REAL ESTATE OWNED	$ 3,987,248	4,620,956	4,827,114	4,907,660	4,833,539
Allowance for loan losses	$ 173,588	125,572	94,020	43,602	41,192
Tax certificates	$ 110,991	213,534	188,401	199,090	166,697
Allowance for tax certificate losses	$ 6,781	6,064	3,289	3,699	3,271
OTHER POTENTIAL PROBLEM LOANS					
Contractually past due 90 days or more (4)	$ 9,960	15,721			
Performing impaired loans (5)	6,150			163	193
Troubled debt restructured loans	107,642	25,843	2,488		77
TOTAL POTENTIAL PROBLEM LOANS	$ 123,752	41,564	2,488	163	270

(1) Includes $41.3 million and $20.8 million of interest-only residential loans as of December 31, 2009 and December 31, 2008, respectively.

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(2) Excluded from the above table as of December 31, 2009 and 2008 were $44.9 million and $79.3 million, respectively, of commercial residential loans that were transferred to a work-out subsidiary of the Parent Company in March 2008.

(3) Includes $45.7 million and $2.3 million of troubled debt restructured loans as of December 31, 2009 and December 31, 2008, respectively.

(4) The majority of these loans have matured and the borrower continues to make payments under the matured loan agreement or the loan has sufficient collateral to prevent a loss.

(5) BankAtlantic believes that it will ultimately

collect the principal and interest associated with these loans; however, the timing of the payments may not be in accordance with the contractual terms of the loan agreement.

Non-performing assets were substantially higher at December 31, 2009, 2008 and 2007 compared to the prior two years. The increase in non-performing assets during 2006 compared to 2005 resulted from a repossessed commercial real estate property during 2006. This property was further impaired by $7.2 million during 2007 and $3.1 million during 2009.

The increase in non-accrual loans during the three year period ended December 31, 2009 reflects the general deterioration in the national and Florida economy, high unemployment, and the depressed residential real estate market as home prices throughout the country and in Florida continued to decline and it is taking longer than historical time-frames to foreclose on and sell homes. Residential mortgage delinquencies were at record highs nationally during the fourth quarter of 2009. Non-accrual commercial and small business loans increased primarily due to the deteriorating financial condition of certain of our borrowers, which we believe is the result of Florida s depressed economy and a reduction in consumer spending associated with high unemployment. The increase in commercial real estate non-accrual loans during the three year period ended December 31, 2009 reflects the migration of commercial residential loans to a non-accrual classification as well as weaknesses in the commercial non-residential market during 2009 resulting in an increase in troubled shopping center and office building loans. Commercial non-accrual loans at December 31, 2009 and 2008 were favorably impacted by transferring $101.5 million of non-accrual commercial loans to a work-out subsidiary of the Parent Company in March 2008.

The higher repossessed assets balances at December 31, 2009 compared to prior periods reflect increased foreclosures of commercial real estate and residential loans. BankAtlantic attempts to modify loans to credit worthy borrowers; however, the majority of BankAtlantic s non-accrual commercial real estate loans are collateral dependent resulting in BankAtlantic having few viable alternatives other than initiating the foreclosure process. We also initiate the foreclosure process on non-accrual residential loans upon unsuccessful loan modification attempts. As a consequence of the increasing non-accrual loans, we expect repossessed assets to significantly increase in the foreseeable future.

BankAtlantic s potential problem loans at December 31, 2009 have significantly increased compared to prior periods primarily due to an increase in troubled debt restructured loans. In response to current market conditions, BankAtlantic has developed loan modification programs for certain borrowers experiencing financial difficulties. During the year ended December 31, 2009, BankAtlantic modified the terms of certain commercial, small business, residential and consumer home equity loans. Generally, the

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concessions made to borrowers experiencing financial difficulties were the reduction of the loan s contractual interest rate, conversion of amortizing loans to interest only payments or the deferral of interest payments to the maturity date of the loan. Loans that are not delinquent at the date of modification are generally not placed on non-accrual. Modified non-accrual loans are not returned to an accruing status and BankAtlantic does not reset days past due on delinquent modified loans until the borrower demonstrates a sustained period of performance under the modified terms, which is generally performance over a six month period. However, there is no assurance that the modification of loans will result in increased collections from the borrower or that modified loans which return to an accruing status will not subsequently return to nonaccrual status.

BankAtlantic s troubled debt restructured loans by loan type were as follows (in thousands):

	As of December 31,					
	2009		2008		2007	
	Non-accrual	**Accruing**	**Non-accrual**	**Accruing**	**Non-accrual**	**Accruing**
Commercial	$ 32,225	83,768		25,843		2,488
Small business	4,520	7,325	2,289			
Consumer	1,774	12,969				
Residential	7,178	3,580				
Total	$ 45,697	107,642	2,289	25,843		2,488

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Commercial residential loans continue to constitute the majority of non-performing commercial real estate loans; however, BankAtlantic is experiencing unfavorable credit quality trends in commercial loans collateralized by commercial land and retail income producing properties and may experience higher non-performing loans in these loan categories in future periods. BankAtlantic s commercial loan portfolio includes large loan balance lending relationships. Seven relationships account for 50% of our $167.9 million of non-accrual commercial real estate loans as of December 31, 2009. The following table outlines general information about these relationships as of December 31, 2009 (in thousands):

Relationships	**Unpaid Principal Balance**	**Book Value**	**Specific Reserves**	**Date loan Originated**	**Date Placed on Nonaccrual**	**Default Date (4)**	**Collateral Type**	**Date of Last Full Appraisal**
Residential Land Developers								
Relationship No. 1 (2)	25,000	19,200	2,232	Q4-2004	Q4-2008	Q4-2008	Land A&D (5)	Q4-2009
Relationship No. 2	12,949	12,949	3,624	Q4-2005	Q4-2009	Q4-2009	Land A&D (5)	Q1-2009
Relationship No. 3 (1)	20,016	12,366	10,856	Q3-2004	Q3-2007	Q4-2007	Builder Land	Q4-2009
	13,996	10,867	7,303	Q3-2004	Q4-2008	Q1-2009	Builder Land	Q4-2009

Relationship No. 4 (2), (3)								
Relationship No. 5 (2)	12,360	10,064	4,500	Q3-2006	Q1-2009	Q1-2009	Land A&D (5)	Q4-2009
Total	84,321	65,446	28,515					
Commercial Land Developers								
Relationship No. 6	10,779	10,779		Q3-2007	Q4-2009	Q3-2009	Commercial Land	Q4-2009
Relationship No. 7 (2)	10,537	8,137	3,964	Q4-2004	Q3-2008	Q1-2009	Commercial Land	Q4-2009
Total	21,316	18,916	3,964					
Total of Large Relationships	105,637	84,362	32,479					

(1) During 2008, BankAtlantic recognized partial charge-offs on relationship No. 3 of $7.7 million.

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(2) During 2009, BankAtlantic recognized partial charge-offs on relationship Nos. 1, 4, 5 and 7 aggregating $13.6 million

(3) A modification was executed, and the loan is reported as a troubled debt restructured loan and is currently not in default.

(4) The default date is defined as the date of the initial missed payment prior to default.

(5) Acquisition and development (A&D).

The loans that comprise the above relationships are all collateral dependent. As such, we established specific reserves or recognized partial charge-offs on these loans based on our determination of the fair value of the collateral less costs to sell. The fair value of the collateral was determined using unadjusted third party appraisals for all relationships. BankAtlantic performs quarterly impairment analyses on these credit relationships and may reduce appraised values if market conditions significantly deteriorate subsequent to the appraisal date. However, BankAtlantic s policy is to obtain a full appraisal within one year from the date of the prior appraisal, unless the loan is in the process of foreclosure. A new appraisal is obtained at the date of foreclosure.

Our residential loan portfolio does not include negative amortization, option ARM or subprime products; however, the majority of our residential loans are purchased residential jumbo loans and certain of these loans could potentially have outstanding loan balances significantly higher than related collateral values as a result of real estate value declines in the housing markets. Additionally, loans that were originated during 2005, 2006 and 2007 have experienced greater deterioration in collateral value than loans originated in prior years resulting in higher loss experiences in these groups of loans. Also, California, Florida, Arizona and Nevada are states that have experienced especially elevated foreclosures and delinquency rates.

Our purchased residential loan portfolio includes interest-only loans. The terms of these loans provide for possible future increases in a borrower s loan payments when the contractually required repayments increase due to interest rate changes and the required amortization of the principal amount begins. These payment increases could affect a borrower s ability to meet the debt service on or repay the loan and lead to increased defaults and losses which could

result in additional provisions for residential loan losses.

At December 31, 2009, BankAtlantic s residential loan portfolio included $776.2 million of interest-only loans. Approximately $33.3 million of interest only residential loans became fully amortizing during the year ending December 31, 2009 and $65.2 million interest only residential loans are scheduled to reset during the year ending December 31, 2010.

The following table presents relevant data regarding our purchased residential loans by year of origination segregated by amortizing and interest only loans (dollars in thousands):

	Amortizing Purchased Residential Loans						
Year of Origination	Carrying Amount	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Average Debt Ratios at Origination (3)
2007	$ 63,320	64.08%	85.37%	744	747	$ 2,508	31.99%
2006	61,894	71.07%	93.61%	738	727	4,739	35.65%
2005	41,624	72.75%	86.24%	724	719	8,469	36.61%
2004	352,473	67.00%	62.60%	737	731	21,031	34.28%
Prior to 2004	184,003	67.23%	47.19%	731	737	7,939	31.98%

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Year of Origination	Carrying Amount	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Average Debt Ratios at Origination (3)
	Interest Only Purchased Residential Loans						
2007	$ 99,068	71.93%	95.23%	752	739	$14,169	33.74%
2006	217,884	73.81%	94.12%	741	735	29,332	35.08%
2005	230,171	70.00%	84.80%	741	749	12,692	34.11%
2004	125,738	72.07%	76.94%	741	718	10,312	31.96%
Prior to 2004	103,325	60.04%	59.28%	743	748	2,335	31.47%

The following table presents relevant data regarding our purchased residential loans by geographic area segregated by amortizing and interest only loans (dollars in thousands):

State	Carrying Amount	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Average Debt Ratios at Origination (3)
	Amortizing Purchased Residential Loans						
Arizona	$ 10,824	64.16%	59.24%	733	733	$ 598	32.97%
California	162,817	66.77%	63.46%	741	744	11,471	34.59%
Florida	92,965	70.28%	64.57%	722	713	10,911	35.15%
Nevada	4,818	69.40%	75.14%	739	732		36.56%
Other States	431,889	67.46%	65.92%	735	734	21,705	33.48%

State	Carrying Amount	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Average Debt Ratios at Origination (3)
	Interest Only Purchased Residential Loans						
Arizona	$ 23,370	71.19%	95.47%	750	740	$ 3,298	32.41%
California	223,454	70.71%	86.10%	740	730	31,322	34.10%
Florida	54,095	68.21%	88.57%	750	741	7,721	31.99%
Nevada	11,529	73.26%	99.64%	745	735	3,951	35.46%
Other States	463,738	70.32%	82.21%	743	744	22,547	33.72%

(1) Current loan-to-values (LTV) for the majority of the

portfolio were obtained as of the first quarter of 2009 from automated valuation models.

(2) Current FICO scores based on borrowers for which FICO scores were available as of the third quarter of 2009.

(3) Debt ratio is defined as the portion of the borrower s income that goes towards debt service.

The table below presents the allocation of the allowance for loan losses by various loan classifications (Allowance for Loan Losses), the percent of allowance to each loan category (ALL to gross loans percent) and the percentage of loans in each category to gross loans (Loans to gross loans percent). The allowance shown in the table should not be interpreted as an indication that charge-offs in

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future periods will occur in these amounts or percentages or that the allowance accurately reflects future charge-off amounts or trends (dollars in thousands):

	December 31, 2009			December 31, 2008			December 31, 2007		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Commercial business	$ 4,515	2.94%	3.94%	3,173	2.22%	3.15%	2,668	2.04%	2.65%
Commercial real estate	91,658	7.71	30.49	75,850	5.44	30.69	72,948	4.51	32.78
Small business	7,998	2.56	8.02	8,133	2.49	7.20	4,576	1.44	6.43
Residential real estate	27,000	1.74	39.85	6,034	0.31	42.56	4,177	0.19	43.82
Consumer	42,417	6.14	17.70	32,382	4.35	16.40	9,651	1.37	14.32
Discontinued loan products									
Total assigned	173,588			125,572			94,020		
Unassigned		N/A	N/A		N/A	N/A		N/A	N/A
	$ 173,588	4.45	100.00	125,572	2.76	100.00	94,020	1.90	100.00

	December 31, 2006			December 31, 2005		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Commercial business	$ 2,359	1.50%	3.07%	1,988	2.30%	1.63%
Commercial real estate	24,632	1.28	37.54	17,984	0.75	45.20
Small business	4,495	1.58	5.57	2,640	1.12	4.43
Residential real estate	4,242	0.20	42.33	2,592	0.13	38.53
Consumer	7,874	1.34	11.49	6,354	1.17	10.19
Discontinued loan products			0.00	156	12.92	0.02
Total assigned	43,602			31,714		

Unassigned		N/A	N/A	9,478	N/A	N/A
	$ 43,602	0.85	100.00	41,192	0.78	100.00

Included in allowance for loan losses in the above table were specific reserves. BankAtlantic s specific reserves by loan type were as follows (in thousands):

	As of December 31,				
	2009	2008	2007	2006	2005
Commercial	$ 42,697	29,208	17,609		
Small business	753	300	200		
Consumer	4,621				
Residential	8,784				
Total	$ 56,855	29,508	17,809		

Residential real estate and home equity consumer loans that are 120 days past due were generally written down to estimated collateral value less costs to sell. As a consequence of longer than historical timeframes to foreclose and sell residential real estate and the rapid decline in residential real estate values where our collateral is located, BankAtlantic began performing quarterly impairment evaluations during 2009 on residential real estate and real estate secured consumer loans that were written down in prior periods to determine whether specific reserves were necessary for further estimated market value declines. BankAtlantic also may establish specific reserves on loans that are individually evaluated for impairment (generally commercial and small business loans). The significant increase in commercial loan specific reserves reflects declines in collateral values as of December 31, 2009.

Commercial real estate loans account for the majority of the allowance for loan losses for each of the years in the five year period ended December 31, 2009. The commercial real estate loan allowance as of December 31, 2005 primarily reflected allowance for loan losses based on increases or decreases in high balance loans. The increase in the allowance for commercial real estate loans during 2006 was associated with a slow-down in the homebuilding industry. The substantial increase in the commercial real estate allowance for loan losses during 2007, 2008 and 2009 resulted in large part from a rapid and prolonged deterioration in the Florida real estate market, generally, and the significant downturn in the residential real estate market nationally. During 2008 and 2007, home sales and median home prices declined significantly on a year-over-year basis in all major metropolitan areas in Florida, with conditions deteriorating rapidly during the fourth quarter of 2008 in response to the overall loss of confidence in the financial markets. The housing industry was experiencing a dramatic downturn and market conditions in the housing industry continued to worsen throughout 2008 reflecting, in part, decreased availability of mortgage financing for residential home buyers, reduced demand for new construction resulting in a significant over-supply of housing inventory, and increased foreclosure rates. During 2009, the decline in median home prices slowed and medium to low priced home sales began to recover from the 2008 lows. However, we believe that a portion of the increased sales and slow down of price declines may have been attributable to low mortgage interest rates and the impact of the first-time home buyer tax credits and may not be sustainable. Also, during 2009 we began experiencing higher levels of commercial non-residential real estate classified assets and charge-offs resulting from declining real estate values and financial difficulties of our borrowers who experienced reduced cash flows from declining rental income. Accordingly, the allowance for loan losses for commercial real estate loans was increased to reflect higher estimated losses for this loan product as the current economic and market conditions have resulted in unfavorable delinquency trends. We believe that

the loss severities associated with these loans may be less significant than our commercial residential development loans as the underlying collateral associated with these loans is generally income producing. However, if economic conditions do not improve, there is no assurance that we will not experience significantly increased delinquencies and charge-offs in our commercial non-residential loan portfolio.

There are three categories of loans in our commercial residential development loan portfolio that have resulted in the majority of losses in our commercial real estate loan portfolio. The loan balance in these categories aggregated $226.9 million at December 31, 2009. These categories are as follows:

The builder land bank loan category consists of 7 loans and aggregates $43.7 million at December 31, 2009. This category consists of land loans to borrowers who have or had land purchase option agreements with regional and/or national builders. These loans were originally underwritten based on projected sales of the developed lots to the builders/option holders, and timely repayment of the loans is primarily dependent upon the sale of the property pursuant to the options. If the lots are not sold as originally anticipated, BankAtlantic anticipates that the borrower may not be in a position to service the loan, with the likely result being an increase in nonperforming loans and loan losses in this category. The number of homebuilders who have publicly announced that they are, or are contemplating, terminating these options or seeking bankruptcy protection substantially increases the risk that the lots will not be acquired as contemplated. Six loans in this category totaling $42.6 million were on non-accrual at December 31, 2009. BankAtlantic established $23.2 million of specific reserves on these loans as of December 31, 2009.

The land acquisition and development loan category consists of 27 loans and aggregates $171.9 million and generally consists of loans secured by residential land which is intended to be developed by the borrower and sold to homebuilders. These loans are generally underwritten more stringently than builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. Ten loans in this category totaling $60.2 million were on non-accrual at December 31, 2009. BankAtlantic established $7.1 million of specifics reserves on these loans as of December 31, 2009.

The land acquisition, development and construction loan category consists of 6 loans and aggregates $11.3 million. This category generally consists of loans secured by residential land which will be fully developed by the borrower who may also construct homes on the property. These loans generally involve property with a longer investment and development horizon, are guaranteed by the borrower or individuals and/or are secured by additional collateral or equity such that it is expected that the borrower will have the ability to service the debt for a longer period of time. One loan in this category totaling $3.8 million was on non-accrual at December 31, 2009.

BankAtlantic during 2009 experienced heightened delinquencies and charge-offs associated with commercial non-residential land loans and commercial non-residential loans. At December 31, 2009, BankAtlantic had 30 commercial land loans totaling $88.5 million with 7 non-accrual loans totaling $32.2 million, and 158 commercial non-residential loans totaling $549.9 million at December 31, 2009 with 12 loans on non-accrual totaling $27.8 million. Commercial land loans consist of loans to acquire non-residential land or loans to acquire and develop a site for non-residential commercial construction. The borrower generally sells the developed site to developers or obtains permanent financing from other lenders to complete the development of the property. Commercial non-residential loans generally represent permanent financing for income producing properties and financing for the construction of income producing properties.

The allowance for consumer loans has increased for each of the years in the five year period ended December 31, 2009. This increase during 2005 and 2006 was largely associated with the growth in outstanding home equity loans throughout the period and the change in policy during 2004 to permit higher loan-to-value ratio loans based on Beacon scores. The increase in the allowance for loan losses for

consumer loans during 2007 compared to 2006 reflects unfavorable home equity loan delinquency trends, higher non-performing home equity loans and a significant increase in charge-offs during the fourth quarter of 2007. The significant increase in the allowance for consumer loan losses during 2008 compared to 2007 was primarily due to a significant increase in consumer home equity loan charge-offs, higher non-performing loans and adverse delinquency trends. The adverse delinquency trends continued during 2009 as residential property values in Florida continued to decline.

The allowance for residential loan losses increased during 2006 compared to 2005 primarily associated with higher loan balances. During 2007, the allowance was maintained at 2006 levels as the portfolio experienced minimal credit losses and no adverse delinquency trends. During 2008, as property values nationwide declined and unemployment rates increased, our residential loan portfolio began experiencing unfavorable delinquency trends and increased charge-offs. These unfavorable delinquency trends accelerated throughout 2009. Jumbo residential loan credit trends for loans originated in 2005, 2006 and 2007 significantly deteriorated during 2009 and losses on prime credit quality jumbo residential loans out-paced losses on other prime based loans. As a consequence of these adverse trends, the residential allowance for loan losses significantly increased at December 31, 2009 compared to the same 2008 and 2007 periods. During 2009, residential loan delinquencies continued to increase and modified residential loans are expected to re-default at a high rate, which should result in continued high foreclosure rates. The anticipated resetting during 2010 of option adjustable rate mortgages held by other institutions is also expected to increase foreclosure rates. Residential home prices are forecasted to decline in most markets during 2010 with the worst forecasted declines in the Arizona, California, Florida and Nevada markets. A decline in residential home prices during 2010 may also result in additional delinquencies and losses in our commercial residential real estate portfolio in subsequent periods.

The allowance for small business loan losses increased during 2006 compared to 2005 primarily associated with higher loan balances. During 2007, the allowance was maintained at 2006 levels as delinquency trends and credit losses remained at 2006 levels. As economic conditions worsened during the latter half of 2008, we began experiencing adverse trends and higher credit losses in our small business loan portfolio. In response to these adverse trends we increased the small business allowance for loan losses by 78% at December 31, 2008 compared to December 31, 2007. During 2009, the small business allowance for loan losses was maintained at 2008 levels as we have seen a recent stabilization of delinquencies and charge-offs trends; however, there is no assurance that these trends will continue.

As discussed in Item 1A. Risk Factors and elsewhere in this annual report on Form 10-K, in the event of a sustained decline in real estate markets, and residential real estate in particular, and a sustained slowdown in the economy in general, we may experience further deterioration in the credit quality and performance of our loan portfolio. As a consequence, if conditions do not improve, we will experience an increase in levels of non-performing assets and these increases will likely be experienced across various loan categories.

BankAtlantic s Non- Interest Income

The following table summarizes the significant components of and changes in non-interest income (in thousands):

	For the Years Ended December 31,			Change 2009 vs	Change 2008 vs
	2009	**2008**	**2007**	**2008**	**2007**
Service charges on deposits	$ 75,739	93,905	102,639	(18,166)	(8,734)
Other service charges and fees	29,542	28,959	28,950	583	9
Securities activities, net	11,161	2,395	2,307	8,766	88
Income from unconsolidated subsidiaries	479	1,509	1,219	(1,030)	290
Gains on sales of loans	467	265	494	202	(229)

Other	11,904	10,275	8,803	1,629	1,472
Non-interest income	$ 129,292	137,308	144,412	(8,016)	(7,104)

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The lower revenues from service charges on deposits during the year ended December 31, 2009 compared to the same 2008 period primarily resulted from lower overdraft fee income. This decrease in overdraft fee income reflects a decline in the total number of accounts which incurred overdraft fees and a decrease in the frequency of overdrafts per deposit account. We believe that the decline in the number of accounts incurring overdraft fees is primarily the result of our focus on targeting customers who maintain deposit accounts with higher balances and secondarily the result of a change in customer behavior in response to the current adverse economic environment. The Federal Reserve has recently adopted new overdraft rules effective July 1, 2010 prohibiting banks from automatically enrolling customers in overdraft protection programs. Additionally, Congress has proposed legislation to further limit the assessment of overdraft fees. This legislation and current public focus on overdraft fees may alter customer behavior and further reduce our overdraft fee income in subsequent periods.

The lower revenue from service charges on deposits during 2008 compared to 2007 was primarily due to lower overdraft fee income. This decline in overdraft fees primarily resulted from lower net overdraft assessments and more stringent criteria for allowing customer overdrafts in response to increasing check losses. Also contributing to reduced fee income during 2008 was a decline in new deposit account openings resulting, in part, from a management decision to reduce overall marketing and advertising expenses and the competitive deposit gathering environment.

The slight increase in other service charges and fees during 2009 compared to 2008 was primarily due to higher fees associated with a new vendor contract and an increase in cruise ship surcharge income associated with an increased number of automated teller machines (ATM) on cruise ships.

Other service charges and fees during 2008 remained at 2007 levels as higher ATM fees from cruise ships was offset by lower debit card transaction volume. Also, the decline in the number of new deposit account openings during 2008 resulted in lower service charge fees.

Securities activities, net during the year ended December 31, 2009 includes $11.2 million of gains from the sales of $284.0 million of agency securities. The net proceeds from the sales of securities were used to pay down FHLB advances.

Securities activities, net during the year ended December 31, 2008 includes $1.0 million of gains from the sale of MasterCard International stock obtained in MasterCard s initial public offering in September 2006. Additionally, BankAtlantic sold $210.4 million of agency securities and realized gains of $0.9 million. BankAtlantic also recognized gains of $0.4 million in connection with the execution of covered calls on its agency securities portfolio.

Securities activities, net during the year ended December 31, 2007 includes $3.4 million of gains from the sale of MasterCard International stock. This gain was partially offset by $1.6 million of realized losses from the sale of $399.2 million of municipal securities and $105.8 million of agency securities available for sale. The municipal securities were sold because the lower tax-free returns on these securities were not beneficial to the Company in light of the losses incurred during 2007 and the agency securities were sold in response to changes in market interest rates and related changes in the securities prepayment risk.

Income from unconsolidated subsidiaries for 2009, 2008 and 2007 represents $0.5 million, $0.5 million and $0.2 million, respectively, of equity earnings in a joint venture that factors receivables. Income

from unconsolidated subsidiaries for 2008 and 2007 also includes $1.0 million and $1.6 million, respectively, of equity earnings from joint ventures that manage income producing rental real estate properties.

Loss on the disposition of property and equipment during the year ended December 31, 2008 and 2007 primarily represents the write-off of leasehold improvements associated with the relocation of stores and the consolidation of back-office facilities.

Gains on loan sales during each of the years in the three year period ended December 31, 2009 were primarily from the sale of residential loans originated with the assistance of independent mortgage brokers.

The increase in other non-interest income for the year ended December 31, 2009 compared to the same 2008 period was primarily the result of higher commissions earned on the sale of investment products to BankAtlantic s customers. Commissions from the sales of investment products for the year ended December 31, 2009, 2008 and 2007 were $4.0 million, $2.1 million and $0.7 million, respectively.

The increase in other non-interest income for 2008 compared to 2007 was primarily the result of $1.4 million of higher commissions earned on the sale of investment products to customers and a $1.1 million write-off of leasehold improvements associated with the relocation of stores and the consolidation of back-office facilities. This increase in other non-interest income was partially offset by a $1.1 million decline in fee income from the outsourcing of our check clearing operation as low short-term interest rates reduced our earnings credit on outstanding checks.

BankAtlantic s Non- Interest Expense

The following table summarizes the significant components and changes in non-interest expense (in thousands):

	For the Years Ended December 31,			Change 2009 vs	Change 2008 vs
	2009	**2008**	**2007**	**2008**	**2007**
Employee compensation and benefits	$ 103,209	125,851	148,758	(22,642)	(22,907)
Occupancy and equipment	58,574	64,774	65,840	(6,200)	(1,066)
Professional fees	12,574	10,979	8,266	1,595	2,713
Advertising and promotion	8,395	16,056	19,684	(7,661)	(3,628)
Check losses	4,188	8,767	11,476	(4,579)	(2,709)
Supplies and postage	4,084	4,580	6,078	(496)	(1,498)
Telecommunication	2,464	4,430	5,552	(1,966)	(1,122)
Amortization of intangible assets	1,303	1,359	1,437	(56)	(78)
Cost associated with debt redemption	7,463	1,238		6,225	1,238
Provision for tax certificates	3,388	7,286	300	(3,898)	6,986
Restructuring charges, impairments and exit activities	5,338	7,395	8,351	(2,057)	(956)
Impairment of real estate held for sale	3,871	1,169	5,240	2,702	(4,071)
Impairment of real estate owned	4,124	1,465	7,299	2,659	(5,834)
Impairment of goodwill	9,124	48,284		(39,160)	48,284
FDIC special assessment	2,428			2,428	
Other	28,272	26,990	25,617	1,282	1,373
Total non-interest expense	$ 258,799	330,623	313,898	(71,824)	16,725

BankAtlantic s non-interest expense for 2009, 2008 and 2007 was $258.8 million, $330.6 million and $313.9 million, respectively. Excluding $29.9 million, $59.6 million and $20.9 million of impairments, restructuring charges and costs associated with debt redemptions, BankAtlantic s non-interest expense would have been $228.9 million, $271.1 million and $293.0 million, for 2009, 2008 and 2007, respectively. The reduction in non-interest expense during the three year period reflects management s efforts to reduce expenses and increase operating efficiencies. In response to the adverse economic environment, we delayed our store expansion program, consolidated certain back-office facilities, sold five central Florida stores, renegotiated vendor contracts, continued staff reductions, out-sourced certain back-office functions and initiated other targeted expense reduction programs. Management is continuing to explore opportunities to further reduce operating expenses and increase operating efficiencies; however, there is no assurance that we will be successful in these efforts.

The substantial decline in employee compensation and benefits during each of the years in the three year period ended December 31, 2009 resulted primarily from workforce reductions in March 2007, April 2008 and March 2009, normal attrition, as well as declines in personnel related to the implementation in December 2007 of reduced store lobby and call center hours. In March 2007, BankAtlantic reduced its work force by 225 associates, or 8%; in April 2008, BankAtlantic reduced its work force by 124 associates, or 6%; and in March 2009, BankAtlantic s workforce was further reduced by 130 associates, or 7%. As a consequence of the work force reductions and normal attrition, the number of full-time equivalent employees declined from 2,618 at December 31, 2006 to 1,538 at December 31, 2009, or 41%, while the store network expanded from 88 stores at December 31, 2006 to 100 stores at December 31, 2009. The decline in the work force resulted in lower employee benefits, payroll taxes and recruitment advertising. Also contributing to the decline in compensation, was the discontinuation of the 401(k) Plan employer match and the employee profit sharing plan. Costs associated with these benefit Plans were $0.7 million, $4.9 million and $4.9 million for the years ended December 31, 2009, 2008 and 2007, respectively. The substantial reduction in the workforce as well as the related decrease in employee benefits was partially offset during 2009 by higher pension costs associated with BankAtlantic s frozen defined benefit plan. BankAtlantic recognized pension income of $0.2 million for each of the years in the two years ended December 31, 2008 and pension expense of $2.0 million for the year ended December 31, 2009. Share-based compensation expense was $2.0 million, $1.2 million and $3.3 million during the years ended December 31, 2009, 2008 and 2007, respectively. The Company did not grant share based awards to employees during 2009 and 2008 and reversed prior period share based compensation expense as the forfeiture rate on outstanding options was increased from 18% to 40% reflecting the significant reduction in the workforce throughout the three year period.

The decline in occupancy and equipment during the year ended December 31, 2009 compared to the 2008 year primarily resulted from the consolidation of back-office facilities, the renegotiation of vendor contracts and the sale of five central Florida branches during the second quarter of 2008. As a consequence of these actions, rent expense declined by $1.8 million, depreciation expense by $2.4 million and maintenance costs by $2.1 million for the year ended December 31, 2009 compared to the 2008 year.

Occupancy and equipment expenses for 2008 declined slightly from 2007. During the year ended December 31, 2008, BankAtlantic consolidated two call center operations into one call center in Orlando, Florida, sold five central Florida stores to an unrelated financial institution, terminated certain back-office lease agreements and renegotiated various vendor contracts. The above expense reduction actions were partially offset by higher depreciation and real estate tax expenses associated with the 2007 store network expansion initiatives.

The higher professional fees for 2009 compared to 2008 were mainly associated with legal costs in connection with loan modifications, commercial loan work-outs, class-action securities litigation and tax certificate activities litigation. Management believes that these matters will continue during 2010 and may result in elevated legal costs in future periods.

The higher professional fees for 2008 compared to 2007 primarily resulted from increased legal fees as well as higher supervisory and examination fees. The supervisory and exam fees related to consulting fees in connection with a review of our commercial loan portfolio.

During the year ended December 31, 2009, BankAtlantic changed its advertising focus from growing deposit account volume to enhancing BankAtlantic s relationship with customers. As a result, BankAtlantic significantly reduced direct mail advertising and reduced gifts to customers upon the opening of deposit accounts. Direct mail advertising and customer gift expenses declined from $10.1 million for the year ended December 31, 2008 to $3.2 million during the same 2009 period.

The decline in advertising expenses for 2008 compared to 2007 primarily resulted from lower promotional costs for store grand openings and a management decision to reduce overall marketing as part of expense reduction initiatives. BankAtlantic opened 15 stores during 2007, 3 stores during 2008 and BankAtlantic did not open any stores during 2009.

We believe that the substantial decline in check losses during each of the years in the three year period ended December 31, 2009 primarily related to more stringent overdraft policies implemented during 2008 as well as lower volume of new account growth.

The lower telecommunication costs for each of the years in the three year period ended December 31, 2009 primarily resulted from switching to a new vendor on more favorable terms during 2008.

Amortization of intangible assets consisted of the amortization of acquired core deposit intangible assets, which are being amortized over an estimated life of ten years.

The costs associated with debt redemptions were the result of prepayment penalties incurred upon the prepayment of $760 million and $692 million of FHLB advances in 2009 and 2008. The prepayments in 2009 and 2008 were part of an initiative to improve our liquidity and net interest margin as short term borrowing interest rates were at historical lows.

The significant increase in the provision for tax certificate losses during 2009 and 2008 compared to 2007 reflects higher charge-offs and increases in the allowance for tax certificate losses primarily related to certificates acquired through bulk purchases in markets which are now distressed. We ceased the bulk acquisition of tax certificates and our out-of-state tax certificate portfolio has been reduced through redemptions.

Restructuring charges, impairments and exit activities during 2009 reflect a $2.1 million severance charge in connection with the March 2009 workforce reduction, and $2.5 million of asset impairments and lease obligation costs associated with the decision to sell properties or terminate leases in connection with the delay of our store expansion initiative.

Restructuring charges, impairments and exit activities during 2008 reflect a $2.2 million severance charge in connection with the April 2008 workforce reduction and $5.0 million of asset impairments and lease obligation costs. Also included in restructuring charges is a $0.3 million loss on the sale of five central Florida stores to an unrelated financial institution.

The restructuring charges, impairments and exit activities during 2007 reflect the March 2007 workforce reduction and impairment and lease obligation costs associated with our decision to delay store expansion.

Real estate held for sale consists of land acquired for branch expansion and a real estate development acquired in connection with the acquisition of a financial institution during 2002. During the year ended December 31, 2009, 2008 and 2007, BankAtlantic recognized impairments on the real estate development of $3.9 million, $1.2 million and $5.2 million, respectively. During 2008, BankAtlantic sold all vertical construction associated with the real estate development, and the remaining real estate inventory consists of developed and undeveloped lots. During 2009 BankAtlantic recognized $0.8 million of impairments on land acquired for branch expansion.

Real estate owned impairments during 2009 resulted primarily from a $3.1 million write-down

associated with a real estate development acquired during the fourth quarter of 2006 when BankAtlantic took possession of the collateral securing a land acquisition and development loan and secondarily, from write-downs of residential and tax certificate real estate owned. Impairment of real estate owned during 2008 was primarily associated with properties in distressed markets acquired through tax certificate activities. Real estate owned impairments during 2007 resulted from the repossession of the land acquisition and development loan mentioned above.

BankAtlantic tests goodwill for potential impairment annually or during interim periods if impairment indicators exist. Based on the results of an interim impairment evaluation, BankAtlantic recorded an impairment charge of $9.1 million during the three months ended March 31, 2009. BankAtlantic performed its annual goodwill impairment test as of September 30, 2009 and determined that its remaining goodwill of $13.1 million in its capital services reporting unit was not impaired, as the fair value of our capital services reporting unit exceeded the fair value of the net assets by $22.6 million. If market conditions do not improve or deteriorate further, BankAtlantic may recognize additional goodwill impairment charges in future periods.

Based on the results of a goodwill impairment evaluation during 2008, BankAtlantic recorded an impairment charge of $48.3 million. All goodwill in the amount of $31.0 million relating to BankAtlantic s commercial lending and all goodwill in the amount of $17.3 million relating to BankAtlantic s community banking reporting units was determined to be impaired. The impairments in the community banking and commercial lending business units reflect the on-going negative trends in the financial services industry affecting the Company s market capitalization and the credit quality of BankAtlantic s loan portfolios.

In October 2008, the FDIC adopted a restoration plan to restore its insurance fund to a predefined level. In June 2009, the FDIC imposed a special assessment on all depository institutions of five basis points on adjusted total assets. BankAtlantic s portion of the FDIC depository institution special assessment was $2.4 million.

The increase in other non-interest expense for the year ended December 31, 2009 compared to the same 2008 period relates to higher deposit insurance premiums. BankAtlantic s deposit insurance premium was $8.6 million, $2.8 million and $0.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. These higher deposit insurance premiums were partially offset by lower general operating expenses during 2009 and 2008 related to management s expense reduction initiatives.

The higher other expenses during 2008 compared to 2007 resulted primarily from a $2.3 million increase in BankAtlantic s deposit premium assessments as the credit held by BankAtlantic against its deposit premium assessments relating back to the early 1990 s was exhausted and BankAtlantic began paying the full deposit premium during the second quarter of 2008. BankAtlantic also incurred $3.3 million of increased property maintenance costs associated with real estate owned and non-performing loans. These increases in other expenses were partially offset by lower general operating expenses directly related to management s expense reduction initiatives.

BankAtlantic s Provision for Income Taxes

	For the Years Ended December 31,			Change	Change
($ in thousands)	**2009**	**2008**	**2007**	**2009 vs 2008**	**2008 vs 2007**
Loss before income taxes	$ (180,427)	(135,050)	(40,818)	(45,377)	(94,232)
Benefit/(provision) for income taxes	31,719	(31,094)	21,378	62,813	(52,472)
BankAtlantic net loss	$ (148,708)	(166,144)	(19,440)	17,436	(146,704)
Effective tax rate	17.58%	-23.02%	52.37%		

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The difference between the effective tax rate and the expected federal income tax rate of 35% during 2009 was due primarily to a change in tax laws in November 2009 that extended the net operating loss carry back period for 2009 taxable losses from two years to five years resulting in BankAtlantic recognizing a $31.7 million income tax benefit. Due to BankAtlantic s recent history of losses and the sustained deterioration in economic conditions, BankAtlantic maintains a deferred tax valuation allowance for its entire amount of net deferred tax assets.

The difference between the effective tax rate and the expected federal income tax rate of 35% during 2008 was primarily due to the disallowance of tax benefits associated with the current year losses and net deferred tax assets as a result of the establishment of a deferred tax valuation allowance.

The difference in the effective tax rate and the expected federal income tax rate during 2007 was primarily due to tax exempt income from municipal securities and benefits for state taxes due to allocations of earnings or losses among various state tax jurisdictions. BankAtlantic s entire portfolio of tax-exempt securities was sold during the fourth quarter of 2007.

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Parent Company Results of Operations

The following table is a condensed income statement summarizing the Parent Company s segment results of operations (in thousands):

	For the Years Ended December 31,			Change 2009 vs 2008	Change 2008 vs 2007
	2009	2008	2007		
Net interest income (expense):					
Interest income on loans	$ 352	261		91	261
Interest and dividend income on investments	221	1,184	2,320	(963)	(1,136)
Interest expense on junior subordinated debentures	(15,535)	(21,262)	(23,054)	5,727	1,792
Net interest expense	(14,962)	(19,817)	(20,734)	4,855	917
Provision for loan losses	(18,414)	(24,418)		6,004	(24,418)
Net interest expense after					
Provision for loan losses	(33,376)	(44,235)	(20,734)	10,859	(23,501)
Non-interest income:					
Income from unconsolidated subsidiaries	487	600	1,281	(113)	(681)
Securities activities, net	19	(356)	6,105	375	(6,461)
Other income	1,058	1,027	824	31	203
Non-interest income	1,564	1,271	8,210	293	(6,939)
Non-interest expense:					
Employee compensation and benefits	5,036	3,046	2,421	1,990	625
Professional fees	2,055	1,782	424	273	1,358
Advertising and promotion	251	279	317	(28)	(38)
Other	1,658	3,634	1,080	(1,976)	2,554
Non-interest expense	9,000	8,741	4,242	259	4,499
Loss before income taxes	(40,812)	(51,705)	(16,766)	10,893	(34,939)

(Provision) benefit for income taxes		(1,395)	6,194	1,395	(7,589)
Parent Company loss	$ (40,812)	(53,100)	(10,572)	12,288	(42,528)

Parent Company interest on loans during 2009 and 2008 represented interest income of $3.1

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million and $2.3 million, respectively, on commercial business loans acquired in a March 2008 loan transfer from BankAtlantic. These loans were returned to an accrual status during 2008 as the borrowers cash flow improved upon obtaining tenants for properties serving as collateral.

Interest and dividend income on investments during the year ended December 31, 2009 was comprised primarily of earnings from a BankAtlantic reverse repurchase agreement account and dividends from an equity investment. Interest and dividend income on investments during each of the years in the two year period ended December 31, 2008 was comprised primarily of interest and dividends associated with a portfolio of debt and equity securities managed by a money manager as well as earnings from a reverse repurchase account with BankAtlantic. Earnings from the BankAtlantic reverse repurchase account were $28,000, $0.2 million and $0.3 million, respectively, during the years ended December 31, 2009, 2008 and 2007. The significant decline in interest and dividends on investments during 2008 and 2009 compared to 2007 resulted from the liquidation of the $54.2 million managed investment portfolio during the first quarter of 2008.

Interest expense for the years ended December 31, 2009, 2008 and 2007 represents interest expense recognized on the Parent Company s junior subordinated debentures. The decline in interest expense during 2009 compared to 2008 reflect the historically low three month LIBOR interest rates during 2009. The decline in interest rates was partially offset by interest accrued on the junior subordinated debentures deferred interest. As previously discussed, the Parent Company has elected to defer the payment of interest on all of its junior subordinated debentures, commencing with the first quarter of 2009. The Parent Company is permitted under the terms of its obligations to defer interest payments for up to 20 consecutive quarterly periods. During the deferral period, interest will continue to accrue on the debentures and on the accrued interest, and the Company will continue to recognize such deferred interest as interest expense in its financial statements. As a consequence, the Parent Company s junior subordinated debentures average balances increased from $294.2 million during 2008 to $300.0 million during 2009. Average interest rates on junior subordinated debentures decreased from 7.14% during the year ended December 31, 2008 to 5.18% during the same 2009 period due to a decrease in LIBOR.

The decline in interest expense during 2008 compared to 2007 resulted from lower average interest rates in 2008 partially offset by higher average borrowings. Average interest rates on outstanding junior subordinated debentures decreased from 8.29% during the year ended December 31, 2007 to 7.14% during the same 2008 period as a result of lower short-term interest rates during 2008 compared to 2007. The Parent Company s junior subordinated debentures average balances were $294.2 million during 2008 compared to $277.9 million during the same 2007 period reflecting the issuance of $30.9 million of junior subordinated debentures during 2007.

Income from unconsolidated subsidiaries during 2009, 2008 and 2007 represents $0.5 million, $0.6 million and $0.7 million, respectively, of equity earnings from trusts formed to issue trust preferred securities and $0.6 million of equity earnings in income producing real estate joint ventures during the years ended December 31, 2007. The business purpose of the joint ventures was to manage certain rental properties with the intent to sell the properties in the foreseeable future. The Parent Company s joint ventures were liquidated and the Parent Company does not currently hold any interests in joint ventures.

During the year ended December 31, 2009, the Parent Company redeemed its investment in a private equity security for a $1.5 million gain and sold shares of Stifel common stock received from the sale of Ryan Beck for a $0.1 million gain. Also, during 2009 the Parent Company recognized a $1.6 million other-than-temporary decline in value from an equity investment in an unrelated financial institution.

During 2008, the Parent Company sold $54.2 million of equity securities from its managed investment portfolio, $108.4 million of Stifel common stock and warrants to acquire 722,586 shares of Stifel common stock for a net gain of $4.2 million. The majority of the $181.8 million of proceeds from the sale of securities and warrants was used to purchase $94.5 million of non-performing loans from BankAtlantic and to contribute $65 million of capital to BankAtlantic. The Parent Company also recognized other-than-temporary impairment charges of $4.6 million associated with an investment in a private limited partnership and an equity investment in a private placement.

During 2007, the Parent Company sold $49.5 million of equity securities from its managed investment portfolio for gains of $9.1 million. The majority of the proceeds from the sale of equity securities was used to purchase and retire the Company s Class A common stock. The Parent Company recognized $0.3 million of unrealized gains from market

appreciation of Stifel warrants and recorded an other-than-temporary impairment of $3.3 million associated with an investment in a private limited partnership.

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Other income during the year ended December 31, 2009, 2008 and 2007 primarily represent fees charged to BankAtlantic for executive management services. These fees are eliminated in the Company s consolidated financial statements.

The Parent Company s compensation expense during the years ended December 31, 2009, 2008 and 2007 represents salaries, benefits and incentives for executive officers and administrative personnel. The higher compensation expense during 2009 compared to 2008 and 2007 primarily reflects higher incentive performance bonuses during 2009. Compensation expense during 2008 also included a $0.6 million reduction in share-based compensation as the forfeiture rate was increased from 18% to 40% to reflect updated historical forfeiture experience. Share-based compensation expense was $1.2 million for the year ended December 31, 2007 compared to $0.4 million and $0.6 million during the years ended December 31, 2009 and 2008. Incentive performance bonuses based on specific performance criteria were $2.9 million, $0.6 million and $0.5 million during the year ended December 31, 2009, 2008 and 2007, respectively.

During 2009 and 2008, the Parent Company incurred higher professional fees associated with the Securities and Exchange Commission formal investigation, the class-action lawsuits and consulting fees associated with the recapitalization efforts of the Company. Also included in professional fees during 2009 and 2008 were legal costs associated with servicing the non-performing loans held in a work-out subsidiary of the Parent Company. Professional fees during 2007 were primarily legal costs for general corporate matters.

Advertising costs during each of the years in the three year period ended December 31, 2009 represents investor relations expenditures, the cost of shareholder correspondence and the annual meeting of shareholders.

The increase in other expenses during the years ended December 31, 2009 and 2008 compared to the same 2007 period reflects $0.9 million and $2.5 million, respectively, for property maintenance costs for non-performing loans in the process of foreclosure. The Parent Company also incurred $0.2 million of loan servicing fees paid to BankAtlantic for each of the years in the two year period ended December 31, 2009 related to the loans held by its asset workout subsidiary. Also included in other expenses for the years ended December 31, 2009, 2008 and 2007 were $0.3 million, $0.3 million and $0.4 million, respectively, of fees paid to BFC for investor relations, risk management and human resources services provided to the Company by BFC.

The Parent company did not recognize a tax benefit in connection with its 2009 loss. The Parent Company recognized a provision for income taxes of $1.4 million in 2008 and an income tax benefit of $6.2 million in 2007. These amounts represent effective tax rates of 0%, 2.65% and 36.94% for 2009, 2008 and 2007, respectively. The change in the Parent Company s effective tax rate during the periods was primarily due to the disallowance of tax benefits associated with the Parent Company s 2009 and 2008 losses as a result of a deferred tax valuation allowance established during 2008 on the Company s net deferred tax assets.

Credit Quality

To provide greater flexibility in holding and managing non-performing loans and to improve BankAtlantic s financial condition, the Parent Company formed an asset workout subsidiary which acquired non-performing commercial and commercial residential real estate loans from BankAtlantic for

$94.8 million in cash on March 31, 2008. BankAtlantic transferred $101.5 million of non-performing loans to the Parent Company s subsidiary at the loan s carrying value inclusive of $6.4 million in specific allowances for loan losses and $0.3 million of escrow balances. The work-out subsidiary of the Parent Company entered into a servicing arrangement with BankAtlantic with respect to these loans.

The composition of non-performing loans acquired from BankAtlantic as of March 31, 2008 was as follows (in thousands):

	Amount
Nonaccrual loans:	
Commercial residential real estate:	
Builder land loans	$ 32,039
Land acquisition and development	19,809
Land acquisition, development and Construction	34,915
Total commercial residential real estate	86,763
Commercial non-residential real estate	14,731
Total non-accrual loans	101,494
Allowance for loan losses specific reserves	(6,440)
Non-accrual loans, net	$ 95,054

The composition of the transferred non-performing loans at the indicated dates was as follows (in thousands):

	December 31, 2009	December 31, 2008
Nonaccrual loans:		
Commercial residential real estate:		
Builder land loans	$ 14,060	22,019
Land acquisition and development	10,376	16,759
Land acquisition, development and construction	14,903	29,163
Total commercial residential real estate	39,339	67,941
Commercial non-residential real estate	5,558	11,386
Total non-accrual loans	44,897	79,327
Allowance for loan losses specific reserves	(13,630)	(11,685)
Non-accrual loans, net	31,267	67,642
Performing commercial non-residential loans, net of allowance for loan losses	3,116	2,259
Loans receivable, net	$ 34,383	69,901

During the year ended December 31, 2009, the Parent Company s work-out subsidiary received proceeds of $6.3 million from loan payments and the sale of a foreclosed property, transferred a $1.0 million loan from non-accrual to performing, charged-down $16.5 million of loans and foreclosed on five properties aggregating $10.5 million.

During the year ended December 31, 2008, $2.3 million of loans held by the asset work-out subsidiary were changed to accrual status, the Company received $1.1 million of loan repayments and charged-down $19.2 million of loans.

The Parent Company s non-accrual loans include large loan balance lending relationships. Four relationships account for 59% of its $44.9 million of non-accrual loans as of December 31, 2009. The following table outlines general information about these relationships as of December 31, 2009 (in thousands):

Relationships	Unpaid Principal Balance	Book Value	Specific Reserves	Date loan Originated	Date Placed on Nonaccrual	Default Date (4)	Collateral Type	Date of Last Full Appraisal
Residential Land Developers								
Relationship No. 1 (1)	14,746	7,873	4,530	Q3-2005	Q3-2007	Q4-2008	Builder Land	Q2-2009
Relationship No. 2	7,382	7,382	2,870	Q1-2006	Q1-2008	Q1-2008	Land A&D (5)	Q2-2009
Relationship No. 3 (2)	19,881	6,188		Q1-2005	Q3-2007	Q1-2008	Builder Land	Q3-2009
Relationship No. 4 (3)	9,833	5,225		Q2-2004	Q3-2007	Q4-2007	Land AD&C	Q3-2009
	51,842	26,668	7,400					

(1) During 2008, the Company recognized partial charge-offs on relationship No. 1 of $6.9 million.

(2) During 2008 and 2009, the Company recognized partial charge-offs on relationship No. 3 aggregating $13.7 million.

(3) During 2008 and 2009, BankAtlantic recognized

partial charge-offs on relationship No. 4 aggregating $4.6 million.

(4) The default date is defined as the date of the initial missed payment prior to default.

(5) Acquisition and development (A&D).

The loans that comprise the above relationships are all collateral dependent. As such, we established specific reserves or recognized partial charge-offs on these loans based on the fair value of the collateral less costs to sell. The fair value of the collateral was determined using unadjusted third party appraisals for all relationships. Management performs quarterly impairment analyses on these credit relationships subsequent to the date of the appraisal and may reduce appraised values if market conditions significantly deteriorate subsequent to the appraisal date. However, our policy is to obtain a full appraisal within one year from the date of the prior appraisal, unless the loan is in the process of foreclosure. A full appraisal is obtained at the date of foreclosure.

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(in thousands)	For the Years Ended December 31, 2009	2008
Balance, beginning of period	$ 11,685	
Loans charged-off	(16,469)	(19,173)
Recoveries of loans previously charged-off		
Net (charge-offs)	(16,469)	(19,173)
Reserves transferred from BankAtlantic		6,440
Provision for loan losses	18,414	24,418
Balance, end of period	$ 13,630	11,685

The provision for loan losses during the year ended December 31, 2009 and 2008 resulted from additional impairments on nonperforming commercial residential real estate loans and were due to updated loan collateral fair value estimates reflecting the continued deterioration in the Florida residential real estate market. As previously stated, if market conditions do not improve in the Florida real estate market, additional provisions for loan losses and charge-offs may be required in subsequent periods.

BankAtlantic Bancorp Consolidated Financial Condition

The Company has reduced its total assets with a view to improving its liquidity and regulatory capital ratios. Total assets were decreased by significantly reducing loan purchases and originations, substantially reducing the acquisition of tax certificates and selling securities available for sale. The proceeds from payments on earning assets and securities sales were used to pay down borrowings.

Total assets at December 31, 2009 were $4.8 billion compared to $5.8 billion at December 31, 2008. The changes in components of total assets from December 31, 2008 to December 31, 2009 are summarized below:

Increase in cash and cash equivalents primarily reflecting $116.7 million of higher cash balances at the Federal Reserve Bank associated with daily cash management activities;

Decrease in securities available for sale reflecting the sale of $284.0 million of residential mortgage-backed securities as well as prepayments by borrowers associated with residential mortgage refinancing in response to low historical residential mortgage interest rates during 2009;

Decrease in tax certificate balances primarily due to redemptions and decreased tax certificate acquisitions during 2009;

Decline in FHLB stock related to lower FHLB advance borrowings;

Decrease in loans receivable balances associated with $185.9 million of loan charge-offs, $50.0 million increase in the allowance for loan losses as well as refinancings of residential loans in the normal course of business combined with a significant decline in loan purchases and originations;

Decrease in accrued interest receivable reflecting lower loan balances and a significant decline in interest rates;

Lower real estate held for development and sale associated with impairments caused by declining fair values of residential and commercial real estate;

Increase in real estate owned associated with commercial real estate and residential loan foreclosures;

Decrease in office properties and equipment resulting from depreciation;

Decrease in goodwill due to a $9.1 million impairment; and

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- Increase in other assets reflecting a $31.8 million receivable from the Department of the Treasury associated with a change in the income tax net operating loss carry-back laws and $31.3 million prepaid FDIC insurance assessments for the three years ended December 31, 2012.

The Company s total liabilities at December 31, 2009 were $4.7 billion compared to $5.6 billion at December 31, 2008. The changes in components of total liabilities from December 31, 2008 to December 31, 2009 are summarized below:

- A decrease in interest bearing deposit account balances of $36.0 million associated with $445.2 million of lower time deposits and insured money market savings accounts partially offset by $416.4 million of higher interest bearing checking account balances reflecting higher NOW account balances ;

- A $85.9 million increase in non-interest-bearing deposit balances primarily due to increased customer balances;

- Lower FHLB advances and short term borrowings due to repayments using proceeds from the sales of securities, loan repayments and increases in deposit account balances;

- Increase in junior subordinated debentures liability due to interest deferrals; and

- Decrease in other liabilities primarily reflecting a significant decline in accrued interest payable due to lower FHLB advance and short term borrowing balances as well as a substantial decline in the cost of funds for 2009 compared to 2008.

Liquidity and Capital Resources

BankAtlantic Bancorp, Inc.

Currently, the Parent Company s principal source of liquidity is its cash, investments and funds obtained from its wholly-owned work-out subsidiary. The Parent Company also may obtain funds through dividends from its other subsidiaries, issuance of equity and debt securities, and liquidation of its investments, although no dividends from BankAtlantic are anticipated or contemplated in the foreseeable future. The Parent Company has historically used its funds to contribute capital to its subsidiaries, pay debt service and shareholder dividends, repay borrowings, invest in equity securities and other investments, and fund operations, including funding servicing costs and real estate owned operating expenses of its wholly-owned work-out subsidiary. At December 31, 2009, BankAtlantic Bancorp had approximately $308.3 million of junior subordinated debentures outstanding with maturities ranging from 2032 through 2037. The aggregate annual interest obligations on this indebtedness totaled approximately $13.4 million based on interest rates at December 31, 2009 and are generally indexed to three-month LIBOR. In order to preserve liquidity in the current economic environment, the Parent Company elected in February 2009 to defer interest payments on all of its outstanding junior subordinated debentures and to cease paying cash dividends on its common stock. The terms of the junior subordinated debentures and the trust documents allow the Parent Company to defer payments of interest for up to 20 consecutive quarterly periods without default or penalty. During the deferral period, the respective trusts have suspended the declaration and payment of dividends on the trust preferred securities. The deferral election began as of March 2009 and regularly scheduled quarterly interest payments aggregating $14.1 million that would otherwise have been paid during the year ended December 31, 2009 were deferred. The Parent Company has the ability under the junior subordinated debentures to continue to defer interest payments through ongoing, appropriate notices to each of the trustees, and will make a decision each quarter as to whether to continue the deferral of interest. During the deferral period, interest will continue to accrue on the junior subordinated debentures at the stated coupon rate, including on the deferred interest, and the Parent Company will continue to record the interest expense associated with the junior subordinated debentures. During the deferral period, the Company may not, among other things and with limited exceptions, pay cash dividends on or repurchase its common stock nor make any payment on outstanding debt obligations that rank equally with or junior to the junior subordinated debentures. The Parent Company may end the deferral by paying all accrued and unpaid interest. The Parent Company anticipates that it will continue to defer interest on its junior subordinated debentures and will not

pay dividends on its common stock for the foreseeable future.

If the Parent Company continues to defer interest on its junior subordinated debentures through the year ended December 31, 2013, it will owe an aggregate of approximately $72 million of unpaid interest based on average interest rates as of December 31, 2009. The Company s financial condition and liquidity could be adversely affected if interest payments were deferred for a prolonged time period.

During the year ended December 31, 2009, the Parent Company did not receive dividends from BankAtlantic. The ability of BankAtlantic to pay dividends or make other distributions to the Parent Company in subsequent periods is subject to regulations and Office of Thrift Supervision (OTS) approval and is based upon BankAtlantic s regulatory capital levels and net income. Because BankAtlantic has an accumulated deficit during the prior two years, BankAtlantic is required to file an application to receive approval of the OTS in order to pay dividends to the Company. The OTS would not approve any distribution that would cause BankAtlantic to fail to meet its capital requirements or if the OTS believes that a capital distribution by BankAtlantic constitutes an unsafe or unsound action or practice and there is no assurance that the OTS will approve future capital distributions from BankAtlantic. BankAtlantic has not filed an application with the OTS for approval to pay a dividend since September 2008 and the Company does not expect to receive cash dividends from BankAtlantic during 2010, and possibly longer. However, the Company may receive dividends from its asset work-out subsidiary upon the monetizing of the subsidiaries non-performing loans. Management can give no assurance that it will be able to monetize the loans in the foreseeable future.

During January 2010, BankAtlantic Bancorp commenced cash offers to purchase all outstanding trust preferred securities having an aggregate principal amount of approximately $285 million at a purchase price of $200 per $1,000 liquidation amount, or an aggregate of $57 million. During February 2010, the offer to purchase with respect to the approximate $55 million of publicly traded trust preferred securities issued by BBC Capital Trust II expired without any such trust preferred securities being repurchased, while the expiration date for the offers to purchase relating to the remaining $230 million of trust preferred securities was extended until March 22, 2010. The offers to purchase are conditioned upon acceptance of the offers by holders of a sufficient amount of trust preferred securities and upon the Company s receipt of proceeds from a financing transaction in amounts sufficient to purchase the trust preferred securities tendered. There is no assurance that holders of a sufficient amount of trust preferred securities will accept BankAtlantic Bancorp s offers to purchase or that BankAtlantic Bancorp will purchase all or any of the trust preferred securities.

On August 28, 2009, the Company distributed to each record holder of its Class A common stock and Class B common stock as of August 24, 2009 non-transferable subscription rights to purchase 4.441 shares of its Class A common stock for each share of Class A and Class B common stock owned on that date. The subscription price was $2.00 per share and the Company completed the rights offering on September 29, 2009 and issued 37,980,936 shares of its Class A common stock to exercising shareholders. The net proceeds from this rights offering were $75.5 million, net of offering costs. The Company used the net proceeds to contribute $75 million of capital to BankAtlantic. While the Parent Company and BankAtlantic had submitted applications for the U.S. Treasury Capital Purchase Program funds during the fourth quarter of 2008, upon the completion of the rights offering in September 2009, the Company and BankAtlantic withdrew their applications with the Treasury. During the year ended December 31, 2009, the Parent Company contributed $105 million of capital to BankAtlantic.

The Parent Company may consider pursuing the issuance of additional securities which could include Class A common stock, debt, preferred stock, warrants or any combination thereof, to raise funds for the purchase of trusts preferred securities which may be tendered to BankAtlantic Bancorp in the offers to purchase discussed above or for general corporate purposes, including to provide capital to BankAtlantic and to fund operations. The Parent Company s operating expenses were $7.6 million, $5.6 million and $4.2 million, respectively, during the years ended December 31, 2009, 2008 and 2007 and its non-interest income was $1.5 million, $1.2 million and $8.2 million, respectively, (see Note 28 to the Notes to Consolidated Financial Statements for the Parent Company s Condensed Statement of Operations). The Parent Company is required to provide BankAtlantic with managerial assistance and capital as the OTS may determine necessary under applicable regulations and supervisory standards. Any such financing would be sought through public or private offerings, in privately negotiated transactions or otherwise.

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Additionally, we could pursue financings at the Parent Company level or directly at BankAtlantic or both. Any financing involving the issuance of our Class A common stock or securities convertible or exercisable for our Class A common stock could be highly dilutive for our existing shareholders. There is no assurance that any such financing will be available to us on favorable terms or at all.

The Parent Company has the following cash and investments that it believes provide a source for potential liquidity based on values at December 31, 2009.

	As of December 31, 2009			
(in thousands)	Carrying Value	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Cash and cash equivalents	$ 14,002			14,002
Debt securities	10		6	4
Private investment securities	1,500			1,500
Total	$ 15,512		6	15,506

The loans transferred to the wholly-owned work-out subsidiary of the Company may also provide a potential source of liquidity through workouts, repayments of the loans, sales of real estate owned or sales of interests in the subsidiary. The balance of these loans and real estate owned, net of reserves at December 31, 2009 was $44.9 million. During the year ended December 31, 2009, the Parent Company received net cash of $3.7 million from its work-out subsidiary.

The sale of Ryan Beck to Stifel closed on February 28, 2007, and the sales agreement provided for contingent earn-out payments, payable in cash or shares of Stifel common stock, at Stifel s election, based on certain Ryan Beck revenues during the two-year period which ended on February 28, 2009. The Company received its final earn-out payment of $8.6 million paid in 250,233 shares of Stifel common stock in March 2009. The Stifel stock was sold for net proceeds of $8.7 million.

BankAtlantic

BankAtlantic s primary sources of funds are deposits; principal repayments of loans, tax certificates and securities available for sale; proceeds from the sale of loans and securities available for sale; proceeds from securities sold under agreements to repurchase; advances from FHLB; Treasury and Federal Reserve lending programs; interest payments on loans and securities; capital contributions from the Parent Company and other funds generated by operations. These funds are primarily utilized to fund loan disbursements and purchases, deposit outflows, repayments of securities sold under agreements to repurchase, repayments of advances from FHLB and other borrowings, purchases of tax certificates and securities available for sale, acquisitions of properties and equipment, and operating expenses. BankAtlantic s liquidity will depend on its ability to generate sufficient cash to support loan demand, to meet deposit withdrawals, and to pay operating expenses. BankAtlantic s securities portfolio provides an internal source of liquidity through its short-term investments as well as scheduled maturities and interest payments. Loan repayments and loan sales also provide an internal source of liquidity. BankAtlantic s liquidity is also dependent, in part, on its ability to maintain or increase deposit levels and availability under lines of credit and Treasury and Federal Reserve lending programs. BankAtlantic s ability to increase or maintain deposits is impacted by competition from other financial institutions and alternative investments as well as the current low interest rate environment. Such competition or an increase in interest rates may require BankAtlantic to offer higher interest rates to maintain or grow deposits, which may not be successful in generating deposits, or which could increase its cost of funds or reduce its net interest income. Additionally, BankAtlantic s current lines of credit may not be available when needed as these lines of credit are subject to periodic review and may be terminated or reduced at the discretion of the issuing institutions or reduced based on availability of qualifying collateral. BankAtlantic s unused lines of credit declined

from $986 million as of December 31, 2008 to $760 million as of December 31, 2009 due to increases in FHLB line of credit collateral requirements, reduction of lines of credit with financial institutions and the treasury as well as reductions in available collateral due to the sale of

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mortgage-backed securities and lower loan balances. Additionally, interest rate changes, additional collateral requirements, disruptions in the capital markets or deterioration in BankAtlantic s financial condition may make borrowings unavailable or make terms of the borrowings and deposits less favorable. As a result, there is a risk that our cost of funds will increase or that borrowing capacity from funding sources may decrease.

The FDIC has announced that participating depository institutions may provide full deposit insurance coverage for non-interest bearing deposit transaction accounts and interest bearing accounts with rates at or below fifty basis points, regardless of dollar amount. This new, temporary guarantee was originally scheduled to expire at the end of 2009; however, in August 2009, the FDIC extended the program until June 30, 2010. BankAtlantic opted-in to the additional coverage on the subject deposits. As a result, BankAtlantic was assessed a 10-basis point surcharge for non-interest bearing deposit transaction account balances exceeding the previously insured amount. The 10-basis point surcharge was increased to 15 basis points on January 1, 2010.

In October 2008, the FDIC adopted a restoration plan that increased the rates depository institutions pay for deposit insurance. Under the restoration plan, the assessment rates schedule was raised by 7 basis points for all depository institutions beginning on January 1, 2009 and the assessment rates were raised again on April 1, 2009 based on the risk rating of each financial institution. Additionally, the FDIC imposed a 5 basis point special assessment as of June 30, 2009 that was paid in September 2009. As a consequence, BankAtlantic s FDIC insurance premium, including the special assessment, increased from $2.8 million during the year ended December 31, 2008 to $11.0 million during the year ended December 31, 2009 . In September 2009, the FDIC required financial institutions to prepay, in December 2009, their estimated quarterly FDIC insurance assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. BankAtlantic s prepaid FDIC deposit assessment at December 31, 2009 was $31.3 million.

The FHLB has granted BankAtlantic a line of credit capped at 40% of assets subject to available collateral, with a maximum term of ten years. BankAtlantic had utilized its FHLB line of credit to borrow $282.0 million and to obtain a $252.1 million letter of credit securing public deposits as of December 31, 2009. The line of credit is secured by a blanket lien on BankAtlantic s residential mortgage loans and certain commercial real estate and consumer home equity loans. BankAtlantic s unused available borrowings under this line of credit were approximately $494.6 million at December 31, 2009. An additional source of liquidity for BankAtlantic is its securities portfolio. As of December 31, 2009, BankAtlantic had $169 million of unpledged securities that could be sold or pledged for additional borrowings with the FHLB, the Federal Reserve or other financial institutions. BankAtlantic is a participating institution in the Federal Reserve Treasury Investment Program for up to $4.3 million in funding and at December 31, 2009, BankAtlantic had $2.8 million of short-term borrowings outstanding under this program. BankAtlantic is also eligible to participate in the Federal Reserve s discount window program. The amount that can be borrowed under this program is dependent on available collateral, and BankAtlantic had unused available borrowings of approximately $96 million as of December 31, 2009, with no amounts outstanding under this program at December 31, 2009. The above lines of credit are subject to periodic review, may be reduced or terminated at any time by the issuer institution. If BankAtlantic s earnings and credit quality continue to deteriorate and if the current economic trends continue to adversely affect its performance, the above borrowings may be limited, additional collateral may be required or these borrowings may not be available to us at all, in which case BankAtlantic s liquidity would be materially adversely affected.

BankAtlantic also has various relationships to acquire brokered deposits, and to execute repurchase agreements, which may be utilized as an alternative source of liquidity. BankAtlantic does not anticipate that its brokered deposit balances will increase significantly in the foreseeable future. At December 31, 2009, BankAtlantic had $72.9 million and $24.5 million of brokered deposits and securities sold under agreements to repurchase outstanding, representing 1.5% and 0.5% of total assets, respectively. Additional repurchase agreement borrowings are subject to available collateral. Additionally, BankAtlantic had total cash on hand or with other financial institutions of $234.8 million as of December 31, 2009.

BankAtlantic s liquidity may be affected by unforeseen demands on cash. Our objective in

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managing liquidity is to maintain sufficient resources of available liquid assets to address our funding needs. Multiple market disruptions have made it more difficult for financial institutions to borrow money. We cannot predict with any degree of certainty how long these adverse market conditions may continue, nor can we anticipate the degree that such market conditions may impact our operations. Deterioration in the performance of other financial institutions may adversely impact the ability of all financial institutions to access liquidity. There is no assurance that further deterioration in the financial markets will not result in additional market-wide liquidity problems, and affect our liquidity position. BankAtlantic improved its liquidity position by utilizing an increase in deposits, proceeds from the sales of securities available for sale, and repayments of earning assets to repay borrowings, resulting in a $942.3 million reduction in borrowings as of December 31, 2009 compared to December 31, 2008.

BankAtlantic s commitments to originate loans was $62.6 million at December 31, 2009 and $38.4 million at December 31, 2008. At December 31, 2009, total loan commitments represented approximately 1.69% of net loans receivable. BankAtlantic had no commitments to purchase loans at December 31, 2009 or December 31, 2008.

At December 31, 2009, BankAtlantic had mortgage-backed securities of approximately $34.4 million pledged to secure securities sold under agreements to repurchase, $41.5 million pledged to secure public deposits, and $98.1 million pledged to secure treasury tax and loan accounts and potential borrowings at the Federal Reserve discount window.

A significant source of our liquidity is repayments and maturities of loans and securities. The table below presents the contractual principal repayments and maturity dates of our loan portfolio and securities available for sale at December 31, 2009. The total amount of principal repayments on loans and securities contractually due after December 31, 2010 was $3.3 billion, of which $1.2 billion have fixed interest rates and $2.1 billion have floating or adjustable interest rates. The table below represents the amounts due based on the contractual terms of the loans or securities and actual principal repayments may differ from information shown below (in thousands):

	Outstanding at December 31,	For the Period Ending December 31,					
	2009	2010	2011-2012	2013-2017	2018-2022	2023-2027	>2028
Commercial real estate	$ 1,333,479	679,595	243,603	265,597	97,926	44,931	1,827
Residential real estate	1,554,338	22,399	5,278	21,924	205,735	63,661	1,235,341
Consumer	690,441	1,663	8,235	420,003	238,158	22,382	
Commercial business	252,803	120,068	57,891	69,175	5,669		
Total loans	$ 3,831,061	823,725	315,007	776,699	547,488	130,974	1,237,168
Total securities available for sale (1)	$ 319,542	252	1	581	82,940	33,426	202,342

(1)

Does not include $0.8 million of equity securities.

Loan maturities and sensitivity of loans to changes in interest rates for commercial business and real estate construction loans at December 31, 2009 were (in thousands):

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	Commercial Business	Real Estate Construction	Total
One year or less	$ 204,106	212,881	416,987
Over one year, but less than five years	42,626	9,875	52,501
Over five years	6,071	334	6,405
	$ 252,803	223,090	475,893
Due After One Year:			
Pre-determined interest rate	$ 48,697	10,209	58,906
Floating or adjustable interest rate			
	$ 48,697	10,209	58,906

BankAtlantic s geographic loan concentration based on outstanding loan balances at December 31, 2009 was:

Florida	62%
Eastern U.S.A.	20%
Western U.S.A.	14%
Central U.S.A	4%
	100%

The loan concentration for loans BankAtlantic originated is primarily in Florida. The concentration in locations other than Florida relates primarily to purchased wholesale residential real estate loans.

At December 31, 2009, BankAtlantic met all applicable liquidity and regulatory capital requirements. At the indicated dates, BankAtlantic s capital amounts and ratios were (dollars in thousands):

	Actual		Minimum Ratios	
	Amount	Ratio	Adequately Capitalized Ratio	Well Capitalized Ratio
At December 31, 2009:				
Total risk-based capital	$ 422,724	12.56%	8.00%	10.00%
Tier 1 risk-based capital	357,660	10.63	4.00	6.00
Tangible capital	357,660	7.58	1.50	1.50
Core capital	357,660	7.58	4.00	5.00
At December 31, 2008:				
Total risk-based capital	$ 456,776	11.63%	8.00%	10.00%
Tier 1 risk-based capital	385,006	9.80	4.00	6.00
Tangible capital	385,006	6.80	1.50	1.50
Core capital	385,006	6.80	4.00	5.00

Savings institutions are also subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Regulations implementing the prompt corrective action provisions of FDICIA define specific capital categories based on FDICIA s defined capital ratios, as discussed more fully in Part I under Regulation of Federal Savings Banks .

The OTS at its discretion can require an institution to maintain capital amounts and ratios significantly above the well capitalized requirements based on the risk profile of the specific institution. If higher capital requirements are imposed by the OTS, BankAtlantic could be required to raise additional capital. There is no assurance that BankAtlantic would be successful in raising additional capital in subsequent periods if required to do so.

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BankAtlantic works closely with its regulators during the course of its exams and on an ongoing basis. Communications with our regulators include providing information on an ad-hoc, one-time or regular basis related to areas of regulatory oversight and bank operations. As part of such communications, BankAtlantic has provided to its regulators forecasts, strategic business plans and other information relating to anticipated asset balances, asset quality, capital levels, expenses, anticipated earnings, levels of brokered deposits and liquidity, and has indicated that BankAtlantic has no plans to pay dividends to the Parent Company. The information which BankAtlantic provides to its regulators is based on estimates and assumptions made by management at the time provided, which are inherently uncertain and actual results may be materially different than that estimated or projected.

Consolidated Cash Flows

A summary of our consolidated cash flows follows (in thousands):

	For the Years Ended December 31,		
	2009	**2008**	**2007**
Net cash provided by (used in):			
Operating activities	$ 30,949	64,138	40,928
Investing activities	869,633	292,495	(22,066)
Financing activities	(824,742)	(322,250)	(30,183)
Increase (decrease) in cash and cash equivalents	$ 75,840	34,383	(11,321)

The decrease in cash flows from operating activities during 2009 compared to 2008 was primarily due to an increase in other assets reflecting the $31.3 million prepayment of FDIC insurance assessments and lower non-interest expenses partially offset by a decline in net interest income and non-interest income.

The increase in cash flows from operating activities during 2008 compared to 2007 was primarily due to a reduction in non-interest expenses.

The increase in cash flows from investing activities during 2009 and 2008 compared to 2007 primarily resulted from a decline in interest earning assets as loan and securities repayments exceeded loan originations and securities purchased. Additionally, in order to further reduce assets during 2009, the Company sold securities available for sale. The Company reduced its total assets during 2009 and 2008 in order to improve its liquidity and regulatory capital levels in response to the difficult economic environment.

The decrease in cash flows from financing activities during 2009 compared to 2008 resulted from the prepayment of FHLB advances and short term borrowings. Funds from the repayment of loans and the sales of securities available for sale were used to repay borrowings. The above declines in financing cash flows were partially offset by proceeds from the issuance of common stock and deposit growth. The decrease in cash flows from financing activities during 2008 compared to 2007 resulted from the prepayments of FHLB advances. The prepayments were accompanied by a decline in interest earning assets.

Off Balance Sheet Arrangements, Contractual Obligations and Loan Commitments

The table below summarizes the Company s loan commitments at December 31, 2009 (in thousands):

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	Amount of Commitment Expiration Per Period				
Commercial Commitments	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	$402,340	78,847			323,493
Standby letters of credit	13,573	13,573			
Other commercial commitments	62,550	62,550			
Total commercial commitments	$478,463	154,970			323,493

Lines of credit are primarily revolving lines to home equity and business loan customers. The business loans usually expire in less than one year and the home equity lines generally expire in 15 years.

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic standby letters of credit are generally issued to customers in the construction industry guaranteeing project performance. These types of standby letters of credit had a maximum exposure of $10.3 million at December 31, 2009. BankAtlantic also issues standby letters of credit to commercial lending customers guaranteeing the payment of goods and services. These types of standby letters of credit had a maximum exposure of $3.3 million at December 31, 2009. Those guarantees are primarily issued to support public and private borrowing arrangements and have maturities of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. BankAtlantic may hold certificates of deposit and residential and commercial real estate liens as collateral for such commitments, similar to other types of borrowings.

Other commercial commitments are agreements to lend funds to a customer subject to conditions established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BankAtlantic evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral required by BankAtlantic in connection with an extension of credit is based on management s credit evaluation of the counter-party.

At December 31, 2009, the Company did not have off balance sheet arrangements that would have a material effect on the Company s consolidated financial statements.

The table below summarizes the Company s contractual obligations at December 31, 2009 (in thousands):

		Payments Due by Period (2)			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Time deposits	$ 960,559	835,832	108,430	16,294	3
Long-term debt	331,031		22,000	14,836	294,195
Advances from FHLB (1)	282,012	282,012			
Operating lease obligations held for sublease	23,434	1,010	2,826	1,892	17,706
Operating lease obligations held for use	69,278	7,483	17,372	6,968	37,455

Pension obligation	17,884	1,473	3,040	3,342	10,029
Other obligations	13,006	206	4,800	6,400	1,600
Total contractual cash obligations	$1,697,204	1,128,016	158,468	49,732	360,988

(1) Payments due by period are based on contractual maturities

(2) The above table excludes interest payments on interest bearing liabilities

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Long-term debt primarily consists of the junior subordinated debentures issued by the Company as well as BankAtlantic s subordinated debentures and mortgage backed bonds.

Operating lease obligations held for sublease represent minimum future lease payments on executed leases that the Company intends to sublease or terminate. These lease agreements were primarily initiated in connection with BankAtlantic s store expansion program.

Operating lease obligations held for use represent minimum future lease payments in which the Company is the lessee for real estate and equipment leases.

The pension obligation represents the accumulated benefit obligation of the Company s defined benefit plan at December 31, 2009. The payments represent the estimated benefit payments through 2019, the majority of which are anticipated to be funded through plan assets. The table does not include estimated benefit payments after 2019. The actuarial present value of the projected accumulated benefit obligation was $31.4 million at December 31, 2009. The plan was underfunded by $9.4 million as of December 31, 2009. The Company is required to fund plan deficits over a seven year period which would include a contribution of $1.6 million to the pension plan for the year ended December 31, 2010. The Company s future cash contribution may increase or decrease depending on the performance of the plan assets and the increase or decrease of the projected benefit obligation in subsequent periods.

Other obligations are primarily legally binding agreements with vendors for advertising, marketing and sponsorship services as well as unrecognized tax benefits.

Pursuant to the agreement for the sale of Ryan Beck to Stifel, the Company agreed to indemnify Stifel and its affiliates against third party claims attributable to the conduct or activities of Ryan Beck prior to the merger. This indemnification is subject to specified thresholds and time periods and to a cap of $20 million. The indemnification period for claims asserted ended on August 31, 2009. While discussions with Stifel with respect to this issue are ongoing, based on the information provided by Stifel to date, management does not believe that it is obligated to indemnify Stifel under the Ryan Beck sales agreement. The Company also agreed to indemnify Stifel against federal tax liabilities and claims relating to the ownership interests in Ryan Beck subject to the $20 million indemnification cap.

BankAtlantic has terminated various operating leases originally executed for store expansion or back-office facilities. In certain lease terminations the landlord consents to the assignment of the lease to a third party; however, BankAtlantic remains secondarily liable for the lease obligation. As of December 31, 2009, BankAtlantic was secondarily liable for $10.7 million of lease payments under leases that were assigned to third parties. BankAtlantic uses the same credit policies in assigning these leases to third parties as it does in originating loans.

Critical Accounting Policies

Management views critical accounting policies as accounting policies that are important to the understanding of our financial statements and also involve estimates and judgments about inherently uncertain matters. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and assumptions that affect the recognition of income and expenses on the consolidated statements of operations for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in subsequent periods relate to the determination of the allowance for loan

losses, evaluation of goodwill and other intangible assets for impairment, the valuation of securities as well as the determination of other-than-temporary declines in value, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the amount of the deferred tax asset valuation allowance, accounting for uncertain tax positions, accounting for contingencies, and assumptions used in the valuation of stock based compensation. The four accounting policies that we have identified as critical accounting policies are: (i) allowance for loan losses; (ii) valuation of securities as well as the determination of other-than-temporary declines in value; (iii) impairment of goodwill and other long-lived assets; and (iv) the accounting for deferred tax asset valuation allowance. See note #1, Summary of Significant Accounting Policies to the Notes to Consolidated Financial Statements , for a detailed discussion of our significant accounting policies.

Allowance for loan losses

The allowance for loan losses is maintained at an amount that we believe to be a reasonable estimate of probable losses inherent in our loan portfolio. We have developed policies and procedures for evaluating our allowance for loan losses which considers all information available to us. However, we rely on estimates and judgments regarding issues where the outcome is unknown. As a consequence, if circumstances differ from our estimates and judgments, the allowance for loan losses may decrease or increase significantly.

The calculation of our allowance for loan losses consists of two components. The first component requires us to identify impaired loans based on management classification and, if necessary, assign a valuation allowance to the impaired loans. Valuation allowances are established using management estimates of the fair value of collateral or based on valuation models that present value estimated expected future cash flows discounted at the loans effective interest rate. These valuations are based on available information and require estimates and subjective judgments about fair values of the collateral or expected future cash flows. Most of our loans do not have an observable market price, and an estimate of the collection of contractual cash flows is based on the judgment of management. It is likely that we would obtain materially different results if different assumptions or conditions were to prevail. As a consequence of the estimates and assumptions required to calculate the first component of our allowance for loan losses, a change in these highly uncertain estimates could have a materially favorable or unfavorable impact on our financial condition and results of operations.

The second component of the allowance for loan losses requires us to group loans that have similar credit risk characteristics so as to form a basis for estimating probable losses inherent in the group of loans based on historical loss percentages and delinquency trends as it relates to the group. Management assigns a quantitative allowance to these groups of loans by utilizing historical loss experiences. Management uses its judgment to determine the length of the time used in the historical loss experience. During each of the years in the two year period ended December 31, 2008, management used a 2 year loss experience to calculate the loss experience. However, due to the rapid decline in economic conditions and real estate values, during 2009, management shortened its historical loss experience by portfolio to between six months and one year, in order to reflect the current heighted loss experience in the quantitative allowance. The historical loss period is selected based on management s judgment and a change in this loss period may result in material changes to the quantitative loss allowance. Management also assigns a qualitative allowance to these groups of loans in order to adjust the historical data, if necessary, for qualitative factors that exist currently that were not present in the historical data. These qualitative factors include delinquency trends, actual loan classification migration trends, economic and business conditions, concentration of credit risk, loan-to-value ratios, problem loan trends and external factors. In deriving the qualitative allowance management uses significant judgment to qualitatively adjust the historical loss experiences for current trends that existed at period end that were not reflected in the calculated historical loss ratios and to adjust the allowance for the changes in the current economic climate compared to the economic environment that existed historically. A subsequent change in data trends or the external environment may result in material changes in this component of the allowance from period to period.

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Management believes that the allowance for loan losses reflects a reasonable estimate of incurred credit losses as of the statement of financial condition date. As of December 31, 2009, our allowance for loan losses was $187.2 million. See Provision for Loan Losses for a discussion of the amounts of our allowance assigned to each loan product. The estimated allowance, which was derived from the above methodology, may be significantly different from actual realized losses. Actual losses incurred in the future are highly dependent upon future events, including the economies of geographic areas in which we hold loans, especially in Florida. These factors are beyond management s control. Accordingly, there is no assurance that we will not incur credit losses in excess of the amounts estimated by our allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments and information available to them at the time of their examination and such judgments may differ from management s judgment.

We analyze our loan portfolio quarterly by monitoring the loan mix, credit quality, loan-to-value ratios, concentration by geographical area, vintage, historical trends and economic conditions. As a consequence, our allowance for loan losses estimates will change from period to period. During the three year period ended December 31, 2006, real estate markets experienced significant price increases accompanied by an abundance of available mortgage financing. Additionally, based on historical loss experience during that time, our credit policies focused our loan production on collateral based loans and the discontinuation of certain loan products. These factors, other internal metrics and external market factors favorably impacted our provision for loan losses and allowance for loan losses during the years ended December 31, 2006. Conversely, during the three years ended December 31, 2009, the residential real estate market and general economic conditions, both nationally and in Florida, rapidly deteriorated with significant reductions in the sales prices and volume of residential real estate sold, plummeting collateral values, dramatic increases in unemployment and severe tightening of credit availability to borrowers. The impact of these rapidly deteriorating real estate market conditions and adverse economic conditions on our loan portfolios resulted in a significant increase in our ratio of allowance for loan losses to total loans from 0.94% at December 31, 2006 to 4.83% at December 31, 2009. We believe that our earnings in subsequent periods will be highly sensitive to changes in the Florida real estate market as well as the length of the current downturn in real estate valuation, availability of mortgage financing and the severity of unemployment in Florida and nationally. If the current negative real estate and economic conditions continue or deteriorate further we are likely to experience significantly increased credit losses.

Valuation of investment securities

We record our securities available for sale and derivative instruments in our statement of financial condition at fair value. We also disclose fair value estimates in our statement of financial condition for investment securities at cost. We generally use market and income approach valuation techniques and a fair value hierarchy to prioritize the inputs used in valuation techniques. Our policy is to use quoted market prices (Level 1 inputs) when available. However quoted market prices are not available for our mortgage-backed securities, REMIC s, other securities and certain equity securities requiring us to use Level 2 and Level 3 inputs. The classification of assumptions as Level 2 or Level 3 inputs is based on judgment and the classification of the inputs could change based on the availability of observable market data.

We subscribe to a third-party service to assist us in determining the fair value of our mortgage-backed securities and real estate mortgage conduits. The estimated fair value of these securities at December 31, 2009 was $319.3 million. We use matrix pricing to value these securities as identical securities that we own are not traded on active markets. Matrix pricing computes the fair value of mortgage-backed securities and real estate mortgage conduits based on the coupon rate, maturity date and estimates of future prepayment rates obtained from trades of securities with similar characteristic and from market data obtained from brokers. We consider the above inputs Level 2. Upon the sale of securities we back-test the values obtained from matrix pricing for reasonableness. The valuations obtained from matrix pricing are not actual transactions and may not reflect the actual amount that would be realized upon sale. While the interest rate and prepayment assumptions used in matrix pricing are representative of assumptions that we believe market participants would use in valuing these securities, different assumptions may result in significantly different results. Additionally, current observable data may not be

available in subsequent periods which would cause us to utilize Level 3 inputs to value these securities. The mortgage-backed and REMIC securities that we own are government agency guaranteed with minimal credit risk. These securities are of high credit quality and we believe could be liquidated in the near future; however, the price obtained upon sale could be higher or lower than the fair value obtained through matrix pricing. In light of the current volatility and uncertainty in credit markets, it is difficult to estimate with accuracy the price that we could obtain for these securities and the time that it could take to sell them in an orderly transaction.

We disclosed the estimated fair value of a private investment security at $1.5 million in our statement of financial condition. This security represents a private placement investment in preferred stock of a financial institution s real estate investment trust subsidiary. This investment does not have a readily determinable fair value and the fair value calculated by us does not represent an actual transaction. Amounts realized upon the sale of our interest in this investment may be higher or lower than the amounts disclosed. No current market exists for this security and the amount we could receive upon liquidation is subject to significant uncertainty.

Other-than-Temporary Impairment of Securities.

We perform an evaluation on a quarterly basis to determine if any of our securities are other-than-temporarily impaired. In making this determination, we consider the extent and duration of the impairment, the nature and financial condition of the issuer and our ability and intent to hold securities for a period sufficient to allow for any anticipated recovery in market value. If an equity security is determined to be other-than-temporarily impaired, we record an impairment loss as a charge to income for the period in which the impairment loss is determined to exist, resulting in a reduction to our earnings for that period. If a debt security is determined to be other-than-temporarily impaired, we record an impairment loss as a charge to income if we intend to sell the securities before they recover or if we do not expect to recover the securities historical cost due to credit loss. Management exercises significant judgment in determining the amount of credit loss in an impairment which is generally based on the present value of expected cash flows. The Company did not recognize an other-than-temporary impairment on debt securities during the year ended December 31, 2009. The Company recognized $1.6 million impairment on equity securities available for sale during the year ended December 31, 2009. As of December 31, 2009, the Company had $22.1 million of impaired securities with an unrealized loss of $26,000 and $298.2 million of securities that were determined not to be impaired. However, in light of the current market uncertainties, and the challenging economic and credit market conditions, there is no assurance that future events will not cause us to have additional impaired securities in the foreseeable future.

Impairment of Goodwill and Long Lived Assets

Goodwill Impairment

We test goodwill for impairment annually or when events or circumstances occur that may result in goodwill impairment during interim periods. The test requires us to determine the fair value of our reporting units and compare the reporting units fair value to its carrying value. The Company s reporting units are comprised of Community Banking, Commercial Lending, Tax Certificate Operations, Capital Services and Investment Operations. The fair values of the reporting units are estimated using discounted cash flow present value valuation models and market multiple techniques.

While management believes the sources utilized to arrive at the fair value estimates are reliable, different sources or methods could have yielded different fair value estimates. These fair value estimates require a significant amount of judgment. If the fair value of a reporting unit is below the carrying amount, a second step of the goodwill impairment test is performed. This second step requires us to fair value all assets (recognized and unrecognized) and liabilities in a manner similar to a business combination purchase price allocation. Since there is no active market for many of the Company s assets, management derives the fair value of the majority of these assets using net present value models. As a consequence,

management estimates rely on assumptions and judgments regarding issues where the outcome is unknown and as a result actual results or values may differ significantly from these estimates. Additionally, declines in the market capitalization of the Company s common stock affect the aggregate fair value of the reporting units. Changes in management s valuation of its reporting units and the underlying assets as well as declines in the Company s market capitalization may affect future earnings through the recognition of additional goodwill impairment charges.

During the year ended December 31, 2009, we recognized goodwill impairment charges of $9.1 million. As of December 31, 2009 our remaining goodwill was $13.1 million.

In determining the fair value of the reporting units, the Company used a combination of discounted cash flow techniques and market multiple methodologies. These methods utilize assumptions for expected cash flows, discount rates, and comparable financial institutions to determine market multiples. The aggregate fair value of all reporting units derived from the above valuation techniques was compared to the Company s market capitalization adjusted for a control premium in order to determine the reasonableness of the financial model output. A control premium represents the value an investor would pay above minority interest transaction prices in order to obtain a controlling interest in the subject company. The values separately derived from each valuation technique (i.e., discounted cash flow and market multiples) were used to develop an overall estimate of a reporting unit s fair value. Different weighting of the various fair value techniques could result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value. The Company used financial projections over a period of time, considered necessary to achieve a steady state of cash flows for each reporting unit. The primary assumptions in the projections were anticipated loan and deposit growth, interest rates and revenue growth. The discount rates were estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to a particular reporting unit. The estimated fair value of a reporting unit is highly sensitive to changes in the discount rate and terminal value assumptions. Minor changes in these assumptions could impact significantly the fair value assigned to a reporting unit. Future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value.

When the estimated fair value of a reporting unit is below the carrying value, goodwill may be impaired, and the second step of the goodwill impairment evaluation is performed. The second step involves calculating the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined in the same manner as it is determined in a business combination. The fair value of the reporting unit s assets and liabilities, including previously unrecognized intangible assets, is individually determined. The excess fair value of the reporting unit over the fair value of the reporting unit s net assets is the implied goodwill. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit.

The value of the implied goodwill is highly sensitive to the estimated fair value of the reporting unit s net assets. The fair value of the reporting unit s net assets is estimated using a variety of valuation techniques including the following:

recent data observed in the market, including for similar assets,

cash flow modeling based on projected cash flows and market discount rates, and

estimated fair value of the underlying loan collateral.

The estimated fair values reflect the Company s assumptions regarding how a market participant would value the net assets and includes appropriate credit, liquidity, and market risk premiums that are indicative of the current environment. If the implied fair value of the goodwill for the reporting unit exceeds the carrying value of the goodwill for the respective reporting unit, no goodwill impairment is recorded. Changes in the estimated fair value of the individual assets and liabilities may result in a different amount of implied goodwill, and the amount of goodwill impairment, if any. Future changes in the fair value of the reporting unit s net assets may result in future goodwill impairment.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing a long-lived asset for recoverability, it may be necessary to review estimated lives and adjust the depreciation period. Changes in circumstances and the estimates of future cash flows, as well as evaluating estimated lives of long-lived assets, are subjective and involve a significant amount of judgment. A change in the estimated life of a long-lived asset may substantially change depreciation and amortization expense in subsequent periods. For purposes of recognition and measurement of an impairment loss, we are required to group long-lived assets at the lowest level for which identifiable cash flows are independent of other assets. These cash flows are based on projections from management reports which are based on subjective interdepartmental allocations. Fair values are not available for many of our long-lived assets, and estimates must be based on available information, including prices of similar assets and present value valuation techniques using Level 3 unobservable inputs. Long-lived assets subject to the above impairment analysis included property and equipment, internal-use software, real estate held for development and sale and real estate owned.

During the year ended December 31, 2009, we recognized impairment on real estate held for sale, operating lease contracts executed for branch expansion and real estate owned of $3.9 million, $2.2 million and $4.1 million, respectively. We generally utilize broker price opinions and third party appraisals to assist us in determining the fair value of real estate held for sale, operating lease contracts and real estate owned. The appraiser or brokers use professional judgment in determining the fair value of the properties and we may also adjust these values for changes in market conditions subsequent to the valuation date when current appraisals are not available. The assumptions used to calculate the fair values are generally Level 3 inputs and are highly subjective and extremely sensitive to changes in market conditions. The amount ultimately realized upon the sale of these properties or the termination of operating leases may be significantly different than the recorded amounts. The assumptions used are representative of assumptions that we believe market participants would use in fair valuing these assets or lease contracts, but different assumptions may result in significantly different results. We validate our assumptions by comparing completed transactions with our prior period fair value estimates and we may check our assumptions against multiple valuation sources. The outstanding balance of real estate owned and real estate held for sale was $46.5 million and $13.7 million, respectively, as of December 31, 2009. The minimum lease payments of the Company s operating lease contracts executed for branch expansion were $23.4 million at December 31, 2009. There is no assurance that future events including declines in real estate values will not cause us to have additional impairments of long-lived assets or operating leases in the foreseeable future.

Accounting for Deferred Tax Asset Valuation Allowance

The Company reviews the carrying amount of its deferred tax assets quarterly to determine if the establishment of a valuation allowance is necessary. If, based on the available evidence, it is more-likely-than-not that all or a portion of the Company s deferred tax assets will not be realized, a deferred tax valuation allowance would be established. Consideration is given to all positive and negative evidence related to the realization of the deferred tax assets.

In evaluating the available evidence, management considers historical financial performance, expectation of future earnings, length of statutory carry forward periods, experience with operating loss and tax credit carry forwards not expiring unused, tax planning strategies and timing of reversals of temporary differences. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. The Company s evaluation is based on current tax laws as well as management s expectations of future performance based on its strategic initiatives. Changes in existing tax laws and future results differing from expectations may result in significant changes in the deferred tax assets valuation allowance.

Based on our evaluation as of December 31, 2009 and 2008, a net deferred tax asset valuation allowance was established for the entire amount of the Company s net deferred tax assets as the realization of these assets did not meet the more-likely-than-not criteria of the Accounting Standards Codification (ASC). During the fourth quarter of 2008, market conditions in the financial services industry significantly deteriorated with the bankruptcies and government bail-outs of large financial services entities. This market turmoil led to a tightening of credit, lack of consumer confidence, increased market volatility and widespread reduction in business activity. These economic conditions as well as the continued deterioration in local real estate markets adversely effected BankAtlantic s profitable lines of business. As a consequence of the worsening economic conditions during the fourth quarter of 2008, it appeared more-likely-than-not that the Company would not realize its deferred tax assets resulting in a deferred tax asset valuation allowance for the entire amount of the Company s net deferred tax assets. During the year ended December 31, 2009, the Company recognized significant losses and the economic conditions did not improve, resulting in the Company maintaining its deferred tax valuation allowance for the entire amount of its deferred tax asset. However, significant judgment is required in evaluating the positive and negative evidence for the establishment of the deferred tax asset valuation allowance, and if future events differ from expectations or if there are changes in the tax laws, a substantial portion or the entire deferred tax asset benefit of $143.9 million as of December 31, 2009 may be realized in the future. The Company s net deferred tax assets can be carried forward for 20 years and applied to offset future taxable income. In November 2009, net operating loss tax laws changed enabling the Company to recognize a benefit $31.7 million associated with the Company s 2009 taxable loss.

Dividends

In February 2009, the Company elected to exercise its right to defer payments of interest on its trust preferred junior subordinated debt. During the deferral period, the Company is not permitted to pay dividends to its common shareholders. The Company can end the TruP deferral period by paying all accrued and unpaid interest; however, the Company currently expects to continue to defer interest for the foreseeable future. Further, the availability of funds for dividend payments generally depends upon BankAtlantic s ability to pay cash dividends to the Company. Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution s regulatory capital levels, retained net income and net income. The Company does not expect to receive cash dividends from BankAtlantic during 2010, or for the foreseeable future. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions.

Impact of Inflation

The financial statements and related financial data and notes presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general price levels. Although interest rates generally move in the same direction as inflation, the magnitude of such changes varies. The possible effect of fluctuating interest rates is discussed more fully under the section entitled Consolidated Interest Rate Risk In Item 7A below.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Consolidated Market Risk

Market risk is defined as the risk of loss arising from adverse changes in market valuations which arise from interest rate risk, foreign currency exchange rate risk, commodity price risk and equity price risk. Our primary market risk is interest rate risk.

Consolidated Interest Rate Risk

The amount of BankAtlantic s interest earning assets and interest-bearing liabilities expected to reprice, prepay or mature in each of the indicated periods was as follows (in thousands):

	BankAtlantic Repricing Gap Table As of December 31, 2009				
	1 Year or Less	**3 Years or Less**	**5 Years or Less**	**More Than 5 Years**	**Total**
Interest earning assets:					
Loans:					
Residential loans (1)					
Fixed rate	$ 165,479	98,815	61,653	197,496	523,443
Hybrids ARM less than 5 years	37,760	13,029	84	200	51,073
Hybrids ARM more than 5 years	340,379	291,558	200,368	151,165	983,470
Commercial loans	884,202	104,962	88,030	15,471	1,092,665
Small business loans	286,848	108,136	47,083	40,986	483,053
Consumer	678,464	6,399	3,789	11,175	699,827
Total loans	2,393,132	622,899	401,007	416,493	3,833,531
Investment securities					
Mortgage backed securities	89,530	102,466	51,839	63,479	307,314
Other investment securities	49,082			12,760	61,842
Tax certificates	110,991				110,991
Total investment securities	249,603	102,466	51,839	76,239	480,147
Total interest earning assets	2,642,735	725,365	452,846	492,732	4,313,678
Total non-earning assets				441,444	441,444
Total assets	$ 2,642,735	725,365	452,846	934,176	4,755,122
Total interest bearing liabilities	$ 3,512,266	330,576	160,618	324,196	4,327,656
Non-interest bearing liabilities				427,466	427,466
Total non-interest bearing liabilities and equity	$ 3,512,266	330,576	160,618	751,662	4,755,122
GAP (repricing difference)	$ (869,531)	394,789	292,228	168,536	
Cumulative GAP	$ (869,531)	(474,742)	(182,514)	(13,978)	
Repricing Percentage	-18.29%	8.30%	6.15%	3.54%	

Cumulative Percentage	-18.29%	-9.98%	-3.84%	-0.29%

(1) Hybrid adjustable rate mortgages (ARM) earn fixed rates for designated periods and adjust annually thereafter based on the one year U.S. Treasury note rate.

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BankAtlantic s residential loan portfolio includes interest-only loans. These loans are scheduled to reprice as follows (in thousands):

Year Ending December 31,	**Amount (1)**
2010	$ 65,227
2011	63,542
2012	65,988
2013	130,249
2014	54,787
Thereafter	396,393
Total interest only loans	$ 776,186

(1) The above table assumes no prepayments.

The majority of BankAtlantic s assets and liabilities are monetary in nature, subjecting us to significant interest rate risk because our assets and liabilities reprice at different times, market interest rates change differently among each rate indices and certain interest earning assets, primarily residential loans, may be prepaid before maturity as interest rates change.

We have developed a model using standard industry software to measure our interest rate risk. The model performs a sensitivity analysis that measures the effect on our net interest income of changes in interest rates. The model measures the impact that parallel interest rate shifts of 100 and 200 basis points would have on our net interest income over a 12 month period.

The model calculates the change in net interest income by:

i. Calculating interest income and interest expense from existing assets and liabilities using current repricing, prepayment and volume assumptions,

ii. Estimating the change in expected net interest income based on instantaneous and parallel shifts in the yield curve to determine the effect on net interest income; and

iii. Calculating the percentage change in net interest income calculated in (i) and (ii).

Management has made estimates of cash flow, prepayment, repricing and volume assumptions that it believes to be reasonable. Actual results will differ from the simulated results due to changes in interest rates that differ from the assumptions in the simulation model.

Certain assumptions by the Company in assessing the interest rate risk during 2009 were utilized in preparing the following table. These assumptions related to:

- Interest rates
- Loan prepayment rates
- Deposit decay rates
- Re-pricing of certain borrowings
- Reinvestment in earning assets.

The prepayment assumptions used in the model are:

Fixed rate mortgages	30%
Fixed rate securities	26%
Tax certificates	70%

Adjustable rate mortgages	16%
Adjustable rate securities	25%

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Deposit runoff assumptions used in the model are as follows:

	Within 1 Year	1-3 Years	3-5 Years	Over 5 Years
Money fund savings accounts decay rates	17%	17%	16%	14%
NOW and savings accounts decay rates	37%	32%	17%	17%

Presented below is an analysis of the BankAtlantic estimated net interest income over a twelve month period calculated utilizing the Company s model (dollars are in thousands):

As of December 31, 2009		
Changes in Rate	Net Interest Income	Percent Change
+200 bp	$ 166,800	1.93%
+100 bp	164,645	0.62%
0	163,634	
-100 bp	164,519	0.54%
-200 bp	162,552	-0.66%

As of December 31, 2009		
Changes in Rate	Net Interest Income	Percent Change
+200 bp	$ 191,139	-3.99%
+100 bp	198,441	-0.32%
0	199,086	
-100 bp	196,893	-1.10%
-200 bp	193,138	-2.99%

BankAtlantic Bancorp has $308.3 million of outstanding junior subordinated debentures of which $246.2 million bear interest at variable interest rates and adjust quarterly and $62.1 million bear interest at an 8.5% fixed rate. As of December 31, 2009, $276.6 million of the junior subordinated debentures are callable and $31.7 million become callable in 2012.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness, as of December 31, 2009, of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2009. PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2009 as stated in its report which appears herein.

/s/ Alan B. Levan
Alan B. Levan
Chairman, and
Chief Executive Officer

/s/ Valerie C. Toalson
Valerie C. Toalson
Executive Vice President
Chief Financial Officer

March 19, 2010

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders of
BankAtlantic Bancorp, Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, stockholders equity and comprehensive income, and cash flows present fairly, in all material respects, the financial position of BankAtlantic Bancorp, Inc. and its subsidiaries (the Company) at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Miami, Florida
March 19, 2010

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
(In thousands, except share data)	**2009**	**2008**
ASSETS		
Cash and due from depository institutions (See Note 20)	$ 234,297	127,780
Federal funds sold and other short-term investments (See Note 2)	500	31,177
Securities available for sale, at fair value (See Notes 3,13,15,16)	320,327	701,845
Investment securities, at cost or amortized cost (approximate fair value: $1,500 and $2,503) (See Note 4)	1,500	2,036
Tax certificates, net of allowance of $6,781 and $6,064 (See Note 5)	110,991	213,534
Federal Home Loan Bank stock, at cost which approximates fair value (See Notes 14 and 20)	48,751	54,607
Residential loans held for sale (See Note 6)	4,547	3,461
Loans receivable, net of allowance for loan losses of $187,218 and $137,257 (See Notes 6,14,17)	3,689,779	4,323,190
Accrued interest receivable (See Note 7)	32,279	41,817
Real estate held for development and sale (See Note 8)	13,694	18,383
Real estate owned and other repossessed assets (See Note 6)	46,477	19,045
Investments in unconsolidated subsidiaries (See Note 9)	12,563	10,552
Office properties and equipment, net (See Note 10)	201,686	216,978
Goodwill (See Note 11)	13,081	22,205
Other assets (See Notes 12,17,20)	85,145	27,947
Total assets	$ 4,815,617	5,814,557
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits		
Interest bearing deposits	$ 3,142,100	3,178,105
Non-interest bearing deposits	827,580	741,691
Total deposits (See Note 13)	3,969,680	3,919,796
Advances from FHLB (See Note 13, 14)	282,012	967,028
Securities sold under agreements to repurchase (See Note 15)	24,468	46,084
Federal funds purchased and other short-term borrowings (See Note 16)	2,803	238,339
Subordinated debentures and mortgage-backed bonds (See Note 17)	22,697	22,864
Junior subordinated debentures (See Note 17)	308,334	294,195
Other liabilities (See Note 18)	64,052	82,283
Total liabilities	4,674,046	5,570,589
Commitments and contingencies (See Notes 20,21)		
Stockholders equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		
	483	103

Class A common stock, $.01 par value, authorized 125,000,000 shares; issued and outstanding 48,245,042 and 10,258,057 shares		
Class B common stock, $.01 par value, authorized 9,000,000 shares; issued and outstanding 975,225 and 975,225 shares	10	10
Additional paid-in capital	296,438	218,974
(Accumulated deficit) retained earnings	(153,434)	32,667
Total stockholders equity before accumulated other comprehensive loss	143,497	251,754
Accumulated other comprehensive loss	(1,926)	(7,786)
Total stockholders equity	141,571	243,968
Total liabilities and stockholders equity	$ 4,815,617	5,814,557

See Notes to Consolidated Financial Statements

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
(In thousands, except share and per share data)	2009	2008	2007
Interest income:			
Interest and fees on loans	$ 185,509	247,222	313,998
Interest and dividends on taxable securities	24,062	45,127	28,631
Interest on tax exempt securities		14	12,700
Interest on tax certificates	14,022	22,153	16,304
Total interest income	223,593	314,516	371,633
Interest expense:			
Interest on deposits (See Note 13)	41,884	64,263	84,476
Interest on advances from FHLB	16,523	50,942	73,256
Interest on securities sold under agreements to repurchase and short-term borrowings	209	2,485	9,573
Interest on subordinated debentures, bonds and junior subordinated debentures	16,615	22,995	25,552
Total interest expense	75,231	140,685	192,857
Net interest income	148,362	173,831	178,776
Provision for loan losses (See Note 6)	232,658	159,801	70,842
Net interest income (loss) after provision for loan losses	(84,296)	14,030	107,934
Non-interest income:			
Service charges on deposits	75,739	93,905	102,639
Other service charges and fees	29,542	28,959	28,950
Securities activities, net (See Note 3)	11,180	2,039	8,412
Income from unconsolidated subsidiaries (See Note 9)	966	2,109	2,500
Other	12,394	10,552	9,331
Total non-interest income	129,821	137,564	151,832